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Current History

FEBRUARY, 1982

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Eight articles in this issue evaluate the changing economic and political conditions in the nations of Central and South America. United States-Latin American relations are discussed with regard to human rights issues and the desire to curtail the spread of nuclear weapons. As our introductory article points out, "The Reagan administration's support for conservative elements in El Salvador and elsewhere in Latin America and its hostility toward the Nicaraguan and Cuban regimes are likely to revive a long-dormant discussion on the true nature of the threat to American interests in Latin America."

Changing United States Policy in Latin America

BY CARLOS A. ASTIZ

Professor of Political Science, State University of New York at Albany

THE inability of the administration of United States President Jimmy Carter to develop major long-term policy initiatives in its dealings with Latin American countries between 1976 and 1980 led to major modifications in United States foreign policy. If the Carter administration intended to encourage its neighbors to the south to move in the direction of representative government, it was not very successful. If it really intended to increase respect for human rights, it was not very successful either.

In retrospect, the Carter administration's commitment appears to have been, at best, lukewarm. Furthermore, it was unevenly implemented both chronologically and geographically; and attempts at actual enforcement were often handled less than competently. As other foreign policy concerns monopolized the attention of senior policymakers, United States policy toward Latin American countries was left in the hands of career personnel, which was tantamount to "benign neglect."¹

The administration of President Ronald Reagan inherited the results of President Carter's policies. The ruling elites of many Latin American countries, including Brazil, Argentina, Chile and, to a lesser degree, Mexico and Venezuela, realized that they could oppose American policy without suffering political retribution.

Consequently, Argentina, Chile, Uruguay, Paraguay, Guatemala, and El Salvador and others refused to modify the treatment of members of the unaccepted

opposition (whether guerrillas or not) to accommodate United States human rights policy. And Argentina and Brazil continued to develop nuclear energy programs that did not meet United States-supported safeguards.

At the same time, the United States was apparently unwilling to sanction the Chilean military regime for planning and directing the killing in Washington, D.C., of a former foreign minister and of an American citizen who was with him at the time. The United States government also refused to press the government of El Salvador to try those responsible for the killing of three American nuns and a Catholic lay worker. And the United States failed to dissuade Cuba from providing military support to certain African nations, like Angola.

Latin American political elites had clearly concluded that the United States was vulnerable to challenges not only with regard to specific United States policies and with regard to United States multilateral objectives that conflicted with their own. Thus during the last years of the Carter administration and the first year of the Reagan administration, Argentina obstructed or contradicted United States policy regarding the grain embargo to the Soviet Union; it also supported and subsidized Bolivian military regimes opposed by the United States because of Bolivian military leaders' involvement in the international drug trade. At a somewhat lower level of conflict, Mexico supported the Sandinista guerrillas who today make up the core of Nicaragua's ruling elite; the Mexicans also provided a certain amount of international support for the opposition

¹See my article "U.S. Policy and Latin American Reaction," *Current History*, February, 1978, pp. 49ff.

forces fighting a guerrilla war against the United States-sponsored junta in El Salvador.

In general terms, both Mexico and Venezuela, encouraged by their oil revenues, increased their presence in Central America and the Caribbean to make up for the more limited United States involvement. In addition, Brazil strengthened its ties with former Portuguese colonies in Africa, like Angola, despite United States policy. Outside the Western Hemisphere, many Latin American countries broke ranks with the United States and moved away from Israel, if not actually closer to Israel's Arab rivals.

In general, this was the situation that the Reagan administration inherited in January, 1981. As for the Latin American nations, the political elites perceived President Reagan and his advisers on international relations and Latin American affairs as right-wing hard-liners, many of them professional anti-Communists who perceived the world of the 1980's in terms of the struggle for power between the United States and the Soviet Union. The Latin Americans believed that the issues of human rights, nonproliferation of nuclear weapons and international trade would be evaluated by the Reagan administration in the context of a long-term conflict that remains basically bipolar. The traditional election night victory celebrations in the United States were duplicated in some of the most exclusive capitals south of the border. As reported by the press, President Reagan's victory was seen by the ruling elites in countries like El Salvador and Guatemala as the de facto if not the formal end of United States interest in human rights and representative government.

This perception was apparently confirmed shortly after the election by United States visitors who appeared in several Latin American capitals and claimed to be "close to the ears" or to advise the President-elect. Inasmuch as most of their names have not surfaced in the roster of administration officials after the inauguration, the real nature of their mission is not clear. What is in the record, however, is that these "roving advisers" stated what their hosts wanted to hear and, in so doing, reinforced their perceptions. The Reagan administration replaced diplomatic personnel who had been active in trying to implement human rights policy during the Carter administration; this contributed to bringing the new program into focus. The nomination of Ernest Lefever as head of human rights completed the picture. The recent reaffirmation that protection of human rights continues to be an element of United States policy was made necessary in part by these changed perceptions.

By the time the new policy made its way to the

desks of those responsible for its implementation, some of the issues that had occupied center stage during the last half of the 1970's had lost momentum. The human rights concern of the Carter administration and of private organizations like Amnesty International and certain religious agencies has been directed toward the protection of political opponents of the ruling elites. By 1981, many of the Latin American regimes accused of violating human rights had done way with the guerrillas and/or political competitors threatening their rule; there were not very many left in this category to jail, torture and summarily execute.²

Nuclear proliferation, another source of disagreement between the United States and specific Latin American nations, was eliminated as an issue by candidate Reagan. Latin American governments were given the impression that the development of a nuclear weapons capability was viewed as an internal policy decision for each country's leadership.

TRADE AND AID

Over the long haul, however, the major sources of conflict between the United States and the Latin American countries concerned trade and aid. There was no major policy change in these controversial areas during the Carter years; occasionally assistance was accelerated or withheld in order to prod a reluctant regime to go along with United States objectives. But these actions were not widespread; as often as not, they were forced on a reluctant diplomatic corps by United States congressmen and senators.

The second half of the 1970's was a period of slow growth for Latin America as a whole and of near stagnation for nations which did not export oil. Energy imports made up almost one-fourth of the total amount of imports coming into the region. The countries that did not export oil were running a current account deficit in their balance of payments which by the end of the decade amounted to 3.5 percent of their collective gross national product.

The increase in interest rates during the last two or three years mortgaged a large share of the revenue they derived from their exports; at the same time, their terms of trade deteriorated. Unable to meet their higher energy bills, to pay for the costlier capital goods needed for their development, and to make growing payments on their foreign debt, Latin American nations increased their borrowing, mostly in the private Eurodollar market, to a total of nearly \$150 billion by 1980. With interest in the Eurodollar market at nearly 20 percent during the last year, and with some of these countries being asked to pay a premium of one to two percentage points over the basic rate, they had to spend approximately \$30 billion per year just to pay the interest on their collective indebtedness.

²It must be remembered, however, that violations of the human rights of individuals accused of common crimes has been standard procedure in Latin American countries for a long time and continues unabated.

This debt does not affect the various countries equally. Brazil is said to owe in excess of \$60 billion; Costa Rica, with a much smaller debt, has publicly recognized that it is unable to meet its obligations. In both cases, renegotiation, longer terms and capitalization of part of the unpaid interest have been and will continue to be the result. The World Bank has calculated that the middle-income countries of Latin America (those who are better off) had to allocate 21 percent of their income from exports to debt service in 1977; this figure has been projected to increase to at least 24 percent of their income from exports by the mid-1980's. To put it differently, 4.3 percent of these countries' gross national product had to be allocated to foreign debt servicing in 1977, and nearly 5 percent will have to be so committed by the middle of the 1980's. These figures must be seen in the context of fairly steady regional economic progress. The gross domestic product of the Latin American and Caribbean countries grew, on the average, at the per capita rate of 2.5 percent per year during the 1970's. Naturally, these regional statistics require further analysis on a country-by-country basis.

The ruling elites that found themselves in agreement with President Reagan's political philosophy probably knew that his emphasis on reducing the United States tax burden would require reductions in the American contributions to their countries' assistance, either directly or through international organizations. They were apparently willing to accept these vague and undefined potential reductions if, in exchange, they received solid political support and an American President inclined to see their domestic conflicts as an extension of the struggle for power between the United States and the Soviet Union. The Reagan administration did not disappoint them on either count.

SUPPORT FOR CONSERVATIVE REGIMES

The first policy decisions made by the Reagan administration indicated a willingness to come to terms with conservative regimes and a higher degree of hostility toward factions that opposed the status quo, whether they were in or out of power. For instance, although relations between the United States and Nicaragua had been deteriorating under President Carter, the deterioration intensified after Ronald Reagan took office. Economic assistance to Nicaragua was cut off and anti-government groups, made up mostly of people loyal to former President General Anastasio Somoza Debayle, were given encouragement and limited undercover support. Groups of Somoza sympathizers appeared near the Nicaraguan borders and conducted harassment actions. Policymakers in the Reagan administration accused Nicaragua's current ruling elite of providing the transfer mechanism for Cuban-supplied weapons

intended for the Salvadoran guerrillas. These actions and charges, plus the desire of the former Sandinist guerrilla leaders to tighten their control over Nicaraguan political life, led them to strengthen their military establishment and their internal security apparatus and to seek weapons wherever they could find them. These actions, in turn, intensified the view in the Reagan administration that Nicaragua was becoming "another Cuba."

The more immediate political-military battlefield between right and left in Latin America has been El Salvador. Shortly after President Reagan moved into the White House, his policymakers declared that the struggle between the military-civilian junta and the Furibundo Marti guerrillas was part of the international conflict between the United States and the Soviet Union. The white paper hastily prepared to convince other countries and win their collaboration contained errors, and its main argument was not believed even by some of those who were asked to follow it as a briefing document. More important, it was not convincing. Nonetheless, those governments that were in agreement with the administration approach or had articulated it before Ronald Reagan won the election welcomed it; in Latin America, they included Argentina, Brazil, Chile, Guatemala and other military regimes. Those regimes that saw the conflict in El Salvador as a domestic conflict, between those trying to conserve the status quo and those trying to alter it, remained unconvinced; in Latin America, Mexico and Venezuela were openly in this category, while the governments of Panama, Colombia and Peru were noncommittal. Threats to Cuba and Nicaragua and increased United States military aid to the Salvadoran junta, including some 50 military advisers, followed. Since then, United States policymakers have apparently been distracted by more immediate developments elsewhere in the world. Congressional opposition to further involvement in Central America, reflecting congressional concerns to avoid "another Vietnam," has apparently moderated the original impulse of the administration to take a stand on the side of the Salvadoran junta and to internationalize the civil war. The administration has apparently succeeded in buying time to strengthen the status quo forces so that they could fight the guerrillas to a draw. No action has thus far been proposed beyond preventing a guerrilla victory.

The Reagan administration came into power too

(Continued on page 88)

Carlos A. Astiz's publications include books, articles, and scholarly papers dealing with Latin American politics. He has been a research fellow at the Center for Science and International Affairs, Harvard University, and a visiting fellow at the National Institute of Justice, United States Department of Justice.

"In acquiring the potential for more modern weaponry, including nuclear arms, is Latin America following the pattern of the outside world? Or can what is distinctive about the Latin American pattern be preserved? Can we even perhaps learn from it while we try to head off nuclear proliferation in other corners of the world?"

Nuclear Proliferation in Latin America

BY GEORGE H. QUESTER

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THE basic technological potential for nuclear weapons production is indeed spreading into Latin America, as it is into other regions of the globe. Competence in nuclear matters is very hard to hold back, and most citizens of the United States probably exaggerate how much of a "secret" remains in the production of nuclear explosives. The option of producing weapons spreads with the very spread of peaceful use of nuclear energy. As a by-product, reactors that produce electricity produce plutonium, which can be used to make weapons comparable to the bomb dropped on Nagasaki. Similarly, such reactors may utilize enriched uranium as a fuel input, uranium which can be used to make weapons comparable to the bomb dropped on Hiroshima.

There is little sign of any Latin American investment in nuclear facilities that could be used only for military purposes. But there is considerable investment that must inherently be dual-purpose, in Brazil and Argentina and elsewhere,¹ for we have not yet come up with reactors and other nuclear facilities that could be used only for civilian purposes. A "supply-push" nuclear proliferation problem thus can be said to exist in Latin America (where bombs look too easy and cheap to make, thereby worrying one's neighbors), even while there is no "demand-pull" proliferation problem (nations seeming to be so militarily threatened that they will go out of their way, at any expense, to acquire bombs).

Important Latin American states have declined to sign and ratify the Nuclear Non-Proliferation Treaty (NPT). Brazil and Argentina and Chile thus match the behavior of Pakistan and India and Israel. Also making Latin America look more like the rest of the world is the simple global reach of the nuclear supply market; the same French and German producers of nuclear equipment who might sell in Korea or South Asia are tempted to sell in Latin America. Nuclear equipment is inherently portable, and a fair number

of the world's power reactors have been installed on a "turn-key" basis, i.e., they are produced and installed almost entirely by the technicians of a country other than the ultimate user. The economies of scale of the nuclear industry everywhere are a driving force; it is far easier for European nations to invest in the nuclear production of electricity when they can sell duplicates of their own reactors abroad to spread out the costs of research and development. Americans accuse West Germans and other nuclear suppliers of irresponsibility, while the West Europeans charge the United States with excessive caution, with placing arms control ahead of economic progress.

Yet there are some very important differences between Latin America and the rest of the world, differences very much affecting predictions about nuclear proliferation. Latin America has been burdened by very few wars. Machiavellian generalizations about the inherent centrality of force in international politics do not really fit the Latin American experience. The armed forces of the region are typically disparaged as "parade-ground armies," pointless wasters of the wealth of their nations or forces for repression. Yet the more damaging criticism that could be made of any military force, that it threatens neighbors and thus pulls its nation into war, does not apply. Brazil and Argentina have acquired aircraft carriers in the past but have never acquired the airplanes to land on their decks; such ships never attacked each other.

Latin America is a continent with relatively few border disputes. No nation is threatening to push another "into the sea," nor is any government lusting after the ultimate military reunification of some sort of divided homeland. Thus no state appears to be moving toward nuclear weapons out of desperate need or worry about the military capabilities and intentions of its neighbors.

United States concern with the possibility of a spread of nuclear weapons to Latin America emerged strongly when, in the immediate aftermath of the 1974 Indian detonation of a "peaceful nuclear explosive," it was announced that West Germany intended to sell Brazil equipment for handling the entire nuclear fuel cycle, not only power reactors, but also reprocessing

¹For a discussion of Brazil's early moves, see H. Jon Rosenbaum, "Brazil's Nuclear Aspirations," in Onkar Marwah and Ann Schulz, *Nuclear Proliferation and the Near-Nuclear Countries* (Cambridge, Mass.: Ballinger, 1975), pp. 255-77.

facilities for the plutonium that would be coming out of the reactors and enrichment facilities for the uranium to go into them. By thus crossing the sensitive line twice, supplying two avenues by which Brazil could acquire fissionable material for bombs, the West German deal triggered a protest in the United States Congress that persisted through the administration of Gerald Ford, a protest continued and matched somewhat by the executive policies of the administration of Jimmy Carter, in 1977.²

With some risk of oversimplifying, we will try to outline the Carter administration's approach, especially as it must have been understood by Latin Americans. On nuclear proliferation, the policy stressed logical clarity and evenhandedness. Countries with no hostility to their neighbors, like Japan and Brazil, were to be treated not very differently from countries entangled in very serious possibilities of military combat, like India and Pakistan. While support would continue for IAEA (International Atomic Energy Agency) safeguards, as prescribed by the nonproliferation treaty and by earlier United States export policies, substantial emphasis was placed on slowing the spread of sensitive dual-purpose technologies. If some technologies would make it difficult for international safeguards to assure against diversions of materials to weapons, clarity in arms control would be served by withholding the technology.

The Carter approach was equally clear and across-the-board in applying other policies to Latin America. Since human rights violations were condemned in the Soviet Union and East Europe, they were also condemned in Latin American states, including countries that had ranked as staunch allies of the United States. Since the sale of advanced conventional weapons was to be discouraged in the Middle East, it also was to be discouraged in Latin America.

Liberals might regard such clarity and consistency as desirable, indeed, as the only way to avoid moral hypocrisy. Any kind of double standard, especially on issues of human rights, requires a great deal of explaining. Can an American government denounce the mistreatment of a Solzhenitzyn, and not that of a Timerman? Yet such consistency may make considerably less sense in the field of arms control. If Latin America is less prone to warfare than other continents, does it make sense to treat it like other regions with regard to arms?

*The Soviet writer Aleksandr Solzhenitzyn and Argentine newspaper editor Jacobo Timerman.

²American responses at the end of the Gerald Ford administration are discussed in William W. Lowrance, "Nuclear Futures for Sale: To Brazil from West Germany, 1975," *International Security*, vol. 1, no. 2 (fall, 1976), pp. 147-66. See also Norman Gall, "Atoms for Brazil, Dangers for All," *Bulletin of the Atomic Scientists*, vol. 32, no. 6 (June, 1976), pp. 4-9.

In the United States, Democratic administrations have generally tended to more consistency in their policy pronouncements, while Republican administrations have leaned toward a more muddled or more subtle approach. Should the United States stress clarity or subtlety in its policy on nuclear proliferation?

The administration of Ronald Reagan came into office pledged to deemphasizing the human rights policy of President Carter in Latin America. Its attitudes on the control of sensitive nuclear technology and on the sale of conventional weapons also veered away from the attitudes of the Carter administration. It is not the task of this article to discuss the human rights or conventional arms trade issues or the broader nature of United States policy toward Latin America, except as these influence the issue of nuclear weapons proliferation.

On the nuclear proliferation question, the first year of the Reagan administration may look more obscure than subtle. Jimmy Carter was criticized for offering a self-contradictory foreign policy on too many questions; Ronald Reagan's team is equally vulnerable to this criticism. The moral ambiguities of backing away from human rights, amid reports of continuing torture and repression in many of the Latin American regimes, are not easily resolved by drawing distinctions between "authoritarian" and "totalitarian" regimes.

Yet one advantage of the Reagan approach is that it is less prone to doctrinaire and ideological assumptions about more instrumental questions at issue; therefore it should be able to take advantage of what is unique or special about Latin America. Preventing the spread of nuclear weapons may depend, above all, on harnessing indigenous opposition to such spread. For historical reasons, Latin Americans are not going to be quick to acknowledge the advice offered by North Americans or Europeans. Argentina and Brazil, and Mexico and Venezuela, have offered their own common sense views on the nuclear questions. And North Americans will have to recognize that the Latin American countries have generally not mismanaged their international relations.

Brazil and Argentina and other Latin American countries have rejected the Nuclear Non-Proliferation Treaty (NPT), partly because their foreign ministries postured themselves into a position of outright opposition to the treaty, so that the treaty could not be accepted in the end without a humiliating reversal. In addition, from its inception the NPT was caricatured as a Soviet-Anglo-American diktat, an imposition on the "have-nots" by the "haves"; while West Germany and Japan were able to get over their own propaganda campaigns against the treaty, Brazil and Argentina may have felt pressures to take these campaigns more seriously.

Some important Latin American countries signed

and ratified the NPT; the record is not one of monolithic opposition. Mexico, Peru and Bolivia and indeed a majority of all the Latin American states became party to the treaty. Yet virtually all Latin American diplomats would probably agree that the NPT is not the document to which they would direct the most attention; rather they focus on the Treaty of Tlatelolco, the Latin American Nuclear Free Zone treaty (LANFZ). This treaty, designed and developed entirely by the Latin American countries themselves, is directed at the issue of nuclear weapons spread; but it utilizes an approach that varies significantly from what might be regarded as ideal in Washington (or in Moscow or London, or even in Paris or Bonn).³

THE TREATY OF TLATELOLCO

The Latin American Nuclear Free Zone treaty was presented at the Tlatelolco Palace in Mexico City in 1967 after four years of negotiations among the Latin American states themselves.⁴ Mexico and Brazil were among the principals in the negotiations, but the role of Brazil was complicated because President João Goulart was ousted by a military coup after the negotiations had begun, and it was not easy to determine Brazil's commitment to the treaty.

The treaty itself is complicated, and it takes a different approach to nuclear arms control. It forbids the parties to acquire nuclear weapons and (a step further than the restrictions of the NPT) forbids them to allow a foreign power to station nuclear weapons on their soil. Article 18 of the treaty (in a step weaker than the NPT), however, sanctions the acquisition and use of peaceful nuclear explosives, provided, however, that these be in a form not usable as nuclear weapons (what many analysts of weapons and arms control would regard as a totally empty category).⁵

The treaty purports to extend its Latin American Nuclear Free Zone far out into the Atlantic and Pacific Oceans (indeed, bizarrely, reaching as far north as the waters off Santa Barbara, California, in the Pacific, and off North Carolina in the Atlantic). The treaty includes protocols proposed for signature and adherence by all the powers still having colonial possessions within the Latin American Zone (Protocol I), and by all the powers possessing nuclear weapons (Protocol II); these states were to agree not to deploy

any nuclear weapons and not to use nuclear weapons in the zone.

To round out its complexity, the treaty is governed by a two-step activation process. Any state signing and ratifying the treaty can declare itself immediately bound by the provisions. If it does not make this declaration, however, the signatory to the treaty becomes bound only when all the Latin American states (including Cuba, of course, and presumably all the newly independent island republics of the Caribbean) also become party and when all the relevant outside powers have adhered to Protocols I and II.

Mexico bound itself on signing, and this is the model accepted by most Latin American states. But Brazil, which at the close of the negotiations had insisted upon the two-step ratification process (and adamantly insisted on the endorsement of peaceful nuclear explosives in article 18), has not waived this requirement, and neither has Chile. Thus Brazil has ratified the treaty, but is not officially bound by it until all the Latin American states ratify it and until the United States and France ratify their adherences to Protocol I. Argentina has not yet moved up to the status of Brazil; it has signed the Tlatelolco Treaty but is still debating whether even to ratify it, with or without the waivers. The potential of the Tlatelolco Treaty is thus not yet apparent.

Latin America is peculiar in world politics for taking international law a little more seriously than other areas. Perhaps the long history of formal national independence amid the trappings of full sovereignty has made these governments more fastidious about international commitments.

Much of the haggling by Brazilians and others about the wording of the Latin American treaty makes it clear that nations which ratify it will feel bound by it. Perhaps the military government in Brazil never expected to be formally bound, and it will probably feel somewhat constrained if it is ever formally bound. The Reagan administration thus pursued the initiative of the Carter administration, trying to deliver a ratification of Protocol I to complete the American requirements for bringing the treaty into effect.

The United States should similarly invest its foreign policy influence to persuade France to ratify Protocol I, and even to persuade the Soviet Union to persuade Cuba to sign and ratify the treaty. By harnessing what was an initiative in Latin America, these steps would help reduce the likelihood that nuclear weapons will be brought into the region.

But how much do Latin American nations, in particular Brazil and Argentina, share the view that the area would be better off without nuclear weapons? Brazil, in various quiet ways, has shown a relatively accommodating attitude toward the Tlatelolco Treaty, stating that some of the formal prerequisites could

³A very careful analysis of the Tlatelolco Treaty can be found in John R. Redick "Regional Nuclear Arms Control in Latin America," *International Organization*, vol. 29, no. 2 (spring, 1975), pp. 415-55.

⁴A useful summary of the development of the Latin American Nuclear Free Zone Treaty can be found in William Epstein, *The Last Chance: Nuclear Proliferation and Arms Control* (New York: The Free Press, 1976), pp. 55-60.

⁵See Article 5. The text of the treaty can be found in U.S. Arms Control and Disarmament Agency, *Documents on Disarmament: 1967* (Washington: U.S.G.P.O., 1968), pp. 69-83.

be waived and that, by international legal norms, as a prospective full party to the treaty it already considers itself somewhat bound by the spirit of the treaty (i.e., at this moment Brazil is not legally free to manufacture nuclear weapons). Brazil has stressed only a few prerequisites for its formal acceptance of the treaty as legally binding, specifically, that Soviet and United States adherence to the Protocols be completed.

Argentina has made similar quiet statements about ratifying the Tlatelolco Treaty, and perhaps otherwise matching Brazil in the pace of bringing the treaty into effect. At all stages of the nuclear discussion, including earlier denunciations of the NPT, the Argentine pattern has indeed been to follow and match the Brazilian pace; this does not support the proposition that Brazil and Argentina are somehow "traditional rivals" about to embark on a nuclear arms race.

Other examples suggest that Latin America may show more cooperation and less competition in the nuclear arena.⁶ The governments of Brazil and Argentina signed an agreement for cooperation on nuclear matters in May, 1980. Pessimists about preventing nuclear weapons proliferation in South America might now worry that a joint bomb project is in the offing, but the much touted rivalries between the two countries probably preclude this cooperation; nowhere else in the world have there been any such joint bomb projects, because of the inherent difficulties of deciding who will have final control over triggers and safety catches.

If Argentine-Brazilian cooperation is not to include military projects, it may not include very much at all; agreements for nuclear cooperation around the globe have often amounted to showcase ventures. Yet whatever cooperation emerges may indeed still serve to preclude military projects, if it works to let each side know more about what the other is doing, to reassure it against any surprises. Without very much outside prompting, the regimes in Brasilia and Buenos Aires understand that an acquisition of bombs by either would lead to a matching acquisition by the other. Communication between the two nuclear establishments facilitated by the 1980 agreement is highly desirable, and it may reduce the likelihood of nuclear explosives projects.

The principal supplier of the most sensitive nuclear equipment for both Brazil and Argentina is West Germany. The Germans contracted in 1974 to supply Brazil with reactors and plutonium reprocessing equipment and a jet-nozzle uranium-enriched capability. In 1980, they further contracted to supply Argentina with a natural uranium reactor; and a Swiss affiliate of some West German firms contracted to supply the necessary heavy water for this reactor.

The fact that the same German technicians will be visiting and helping to operate the facilities in both countries may thus supply a certain degree of de facto additional monitoring.

In neither case did the West Germans withhold all such supplies until Brazil and Argentina accepted the Nuclear Non-Proliferation Treaty or otherwise submitted all their facilities to the inspection of the International Atomic Energy Agency (IAEA). Yet the Bonn regime insisted on the imposition of IAEA safeguards on the facilities it was providing, and it further contracted that such safeguards would also apply to any duplication of the equipment provided by an indigenous Latin American manufacturer. IAEA safeguards will thus be in place for a considerable time to come over the bulk of nuclear activities in both Brazil and Argentina, even if their governments have not agreed to accept such safeguards over all their peaceful nuclear operations indefinitely. A total commitment to "full-scope" safeguards might well be desirable, and the United States and Canada have made this commitment a prerequisite for all new sales. Yet the end is, by hook or by crook, to contain the spread of nuclear weapons.

In acquiring the potential for more modern weaponry, including nuclear arms, is Latin America following the pattern of the outside world? Or can what is distinctive about the Latin American pattern be preserved? Can we even perhaps learn from it, while we try to head off nuclear proliferation in other corners of the world?

The United States government wasted a great deal of time expressing skepticism about the Latin American nuclear treaty, dwelling more than necessary on its shortcomings as compared with the NPT. There is always the danger that Washington may become too supportive of the Tlatelolco Treaty; the Carter administration's late discovery of the treaty, amid strong United States opposition to the German-Brazilian deal, ran this risk.

The Reagan administration, coming into office with a less clearly defined position on arms control, may be able to follow a more moderate approach, quietly letting United States adherence to the treaty come into being, while avoiding statements that treat Brazil or Argentina with as much suspicion as Libya or Pakistan or Iraq or Israel. An ad hoc approach may be very necessary on questions of arms control. Above all, it would be foolish to accept pessimism about the spread of nuclear weapons, which might then become self-confirming. ■

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⁶For recent events, see John R. Redick, "The Tlatelolco Regime and Nonproliferation in Latin America," *International Organization*, vol. 35, no. 1 (winter, 1981), pp. 103-34.

"Central America's urban elites are now a beleaguered minority besieged by increasingly well-organized and well-armed lower-class groups demanding substantial changes in the economic, political and social structures of their nations," notes this specialist, who raises the question: "To what lengths is the United States prepared to go to attempt to reverse the social and political trends in Central America?"

Political Instability in Central America

BY ROLAND H. EBEL

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SINCE World War II, Central America has been a paradoxical mixture of political stability and instability, economic growth and economic deprivation, social modernization and social alienation. Surprisingly, it has taken this volatile mixture of social ingredients nearly four decades to explode.

The 1960's held a certain promise for Central America's social, economic and political future. The Central American Common Market (CACM), launched in 1960, created a potential market of over 12 million people (today over 20 million) for the area's import substitution industries (textiles, packaged foods, plastics, tires, autobus bodies) and an incentive for foreign investment. Its economic growth of close to 6 percent per year during the decade put the region slightly ahead of Latin America as a whole.

The emergence of the Christian Democratic party in El Salvador (with its charismatic, yet pragmatic, leader, José Napoleón Duarte) as a viable opposition movement, coupled with the apparent willingness of the civilian-military regime to allow it to assume its congressional and municipal seats, seemed to speak well for the growing political good sense of the Salvadoran elites.

In Guatemala, after a decade and a half of instability, a Castroite guerrilla movement was finally suppressed and a four-party system representing the major political traditions of the country had evolved. Although it was dominated by the generals, it provided some political competition and has given the country 15 years of electoral, if not social, stability. In Costa Rica the social democratic consensus that emerged from the revolution of 1948 continued without serious challenge. Even Nicaragua, with its authoritarian and economically monopolistic leadership, was firmly in control of its population and was allied with the United States. Nicaragua's average economic growth rate of over 7 percent per year was clear evidence of what a hard-nosed, clear-headed government could do for an underdeveloped "banana

republic." Ironically, at the end of the 1960's it was Honduras that was generally seen as a potential "oasis of turmoil" rather than an oasis of peace¹ in Central America.

The 1970's witnessed a complete turnaround. The Sandinista revolution in Nicaragua raised the specter of "a second Cuba" in the Caribbean. Wanton political killing by both the left and the right in El Salvador and Guatemala created an insurrectionary situation in both of those countries. Even peaceful, stable Costa Rica faced the challenge of the continually rising expectations of its growing middle class that was nurtured by a welfare state increasingly difficult to maintain in a period of rampant inflation.

The political crisis in Central America is essentially the result of a breakdown in a sociopolitical system which, in spite of appearances, remained stable for over three decades. In order to understand what is currently happening in the region it is necessary to comprehend the nature of that system and what caused it to break down.

THE CITY-STATE SYSTEM

In the early 1940's a series of "city-states" developed in Central America, nations in which almost all social, political, economic and cultural activities were concentrated in a single primate city—usually the capital city. The metropolitan center generally grew and prospered at the expense of the countryside and since the politically relevant middle and upper sectors were concentrated there and could absorb the more articulate and mobile segments of the rural areas, it constituted a social and political safety valve for discontent.

The Central American state was marked by certain characteristics that tended to reinforce the status quo and maintain a degree of political stability. The first was economic concentration. Although the traditional economic structure was composed of many petty entrepreneurs and suppliers, after World War II the development of import substitution industries tended to concentrate economic power in the hands of one or two enterprises in a given field. As a result, these

¹James A. Morris, "Honduras: An Oasis of Peace?" *Caribbean Review*, vol. 10, no. 1 (winter, 1981).

companies, whether domestic or foreign, gained considerable control over the natural and human resources of the nation.

However, the mini-economies that developed in Central America tended to be weak, and after the creation of CACM, when scores of multinational enterprises began to operate in the region, the inherent dependency of these economies was enhanced. Thus, the entire socioeconomic structure of the urban-industrial sector was extremely fragile. While general economic activity was increasing, these economies were incapable of producing the surpluses needed to meet the needs of a growing mass population, further intensifying the resistance of the elites and middle classes to any change in political or economic power.

Given the lack of economic surpluses, the Central American state also tended to maximize benefits for the urban dwellers, rather than for the nation as a whole; most social legislation applied primarily, if not exclusively, to the urban middle classes. Smaller communities were forced to come, hat in hand, to the national capital to acquire sufficient funds to make the most elementary repairs or improvements.

In addition, economic concentration produced a particular pattern of political power relationships characterized by a "live and let live" attitude. The growth of light manufacturing and commercial agriculture spawned a tertiary sector composed of suppliers, service businesses, and technocrats largely dependent upon the capacity and goodwill of a few entrepreneurial families.

As the urban service and technocratic class expanded, a public service sector, dependent primarily on government revenues for its livelihood, also developed. This group was socially and economically insecure. (For example, a drop of two or three cents in the price of coffee might mean that hundreds of Salvadoran government clerks, postmen, and school teachers would go without their salaries for weeks or even months.) On the other hand, the public employees were likely to be better organized and thus acted as a countervailing power to the investor families and international business. A strike of IRCA trainmen, for example, posed a threat not only to Guatemala's cotton and coffee growers, but to the middle sectors as well.

THE UNITED STATES RESPONSE

The United States developed a particular pattern of relationships with these Central American states. Responding to the threat of increased penetration by the Soviet Union in the Western Hemisphere follow-

ing the revolution in Cuba, the Alliance for Progress was established to stimulate economic development through U.S. aid and private investment. However, United States economic and political relationships were forged almost entirely with the urban sectors capable of absorbing the transfer of capital, technology and administrative know-how. The various national urban elites were linked with one another in an "alliance of capital cities" and were tied to the transnational corporations and the foreign government agencies that were underwriting development. Subsequent United States assistance and support for counterinsurgency operations and the upgrading of the Central American military establishments were designed to protect the middle and upper sector groups. And so long as intra-elite rivalries did not become too intense and rural areas remained sufficiently backward and depoliticized to allow the bulk of economic benefits and political power to flow to the capital city, these nations remained reasonably stable.

THE BREAKDOWN OF THE SYSTEM

One factor undermining the Central American state was the very success of its urban-directed economy. Between 1960 and 1975, the economies of the six Central American nations (including Panama) grew by an average of 5.8 percent per year. Manufacturing, however, grew by 7.8 percent per year or 67 percent faster than agriculture.² And the agricultural expansion that did occur (around 4.7 percent per year) was largely commercial export-oriented agriculture that exploited greater and greater tracts of land, land which, by usage and custom, had traditionally been available to the campesino for subsistence agriculture.

One result of this situation was a massive migration to the city. However, by the 1970's rural-urban migration was no longer sufficient to solve the problem of rural overpopulation. For one thing, the labor-absorbing industrial and commercial growth had slowed because of the disruption of isthmian trade by the so-called Soccer War of 1969, and the industrial growth of the late 1960's and early 1970's was capital—rather than labor—intensive. Furthermore, urban elites, many of whom were military men, obtained title to vast tracts of both public and communal lands, thereby dispossessing the small campesino of his land. Land put into commercial farming produced cotton, sugar, beef and coffee for export rather than domestic consumables for a growing population,³ like corn and beans. Thus the paradox of Central American agriculture: overall increases in productivity were coupled with parallel increases in the importation of higher priced foodstuffs for domestic consumption. This situation was exacerbated by the sharp jump in inflation after the oil embargo of 1973 that eroded the purchasing power of the urban lower classes.

In addition, the growth of large-scale commercial

²*Economic and Social Progress in Latin America, 1979 Report* (Washington, D.C.: Inter-American Development Bank, 1979), Tables I-2, I-6 and I-10.

³An average for the region of about 3.0 percent or a doubling every 23 years. *Ibid.*, Statistical Appendix, Table 1.

agriculture resulted in the rapid politicization of the rural lower classes. And in the cities, as industry grew under the stimulus of CACM and the multinational corporations that came into it, so did the size, cohesiveness and militancy of trade unions.

Both labor and campesino organizations reached a "sufficient mass" in a number of countries by the mid-1970's to enable them to demand entrance into their respective political systems. The way in which those systems have responded has largely determined the recent course of events in Central America. In Costa Rica, Honduras and Panama, where lower sector groups were allowed to enter the system as viable power contenders, a reasonable level of stability was achieved. In Guatemala, El Salvador and Nicaragua, where campesino and trade union organizations were resisted, an insurrectionary situation resulted.

Another factor that undermined the stability of the Central American states, particularly in Guatemala, El Salvador and (before 1979) Nicaragua, was the intra-elite conflict precipitated by the economic growth of the 1960's and 1970's. The many new industrial-commercial sectors that emerged fractured a primarily competitive economic oligarchy into a number of downright hostile elites. The military, which had often mediated conflicts between the elite and the middle class and had buffered both these groups against the political activity of the masses, fragmented and was drawn into the intra-elite contest for economic advantage by opportunities for personal aggrandizement. Manuel Colon Argueta, the assassinated leader of the moderate left, Frente Unido de la Revolución (FUR), and former mayor of Guatemala City, described the rivalry among a number of military-business networks in his country

⁴He identifies the major networks as the agroexport sector, the import trade sector, the monopoly industrial sector, and the banking sector. See "Colon Argueta's Last Interview," *Latin American Political Report*, vol. 13, no. 14 (April 6, 1979).

⁵Formed in 1975, the BPR is composed of farmworkers' federations, high school and university students' associations, a slum dwellers' association, a trade union confederation and the National Association of Salvadoran Educators.

⁶FMLN: Farabundo Marti National Liberation Front, a coalition of five guerrilla organizations formed by the Unified Revolutionary Directorate (DRU) in October, 1980. FDR: Frente Democratico Revolucionario. The political arm of the FMLN, it is made up of a variety of middle class professional associations, moderate trade union federations and the Social Democratic and Social Christian political parties.

⁷The elections of 1966 and 1970 were generally considered to be honest, the election of 1974 was an outright fraud, while the outcome, if not the actual count, in 1978 was accurate. See Kenneth F. Johnson, "The 1966 and 1970 Elections in Guatemala: A Comparative Analysis," *World Affairs*, summer, 1971, pp. 34-35, and *Facts on File*, 1978, p. 190.

and the violence it engendered not simply as the normal rivalry between businessmen, but as "shootouts between rival mafias."⁴ The breakup of the traditional ruling class facilitated the emergence of both rural and urban mass movements, a multiplicity of middle class political parties and, finally, insurrectionary movements.

A final blow to the viability of the Central American state was the change in United States policy. United States President Jimmy Carter's human rights policy opened the gates to insurrection by undermining the international and national legitimacy of the governments of Guatemala, El Salvador and Nicaragua and by reducing any leverage the United States had over their military establishments. Freed from the external constraints of the United States, but by the same token isolated from their traditional external support, these military establishments subsequently sought to protect their system by taking extremely repressive measures against any individual or group perceived as threatening them. This decimated the democratic, reformist parties and groups that might have preserved the political system and polarized moderates into irreconcilable camps.

Significant political change emerged in Central America as the traditional state eroded or collapsed. The political mobilization of the campesino (and, in Guatemala, the Indian) completely erased the line between the urban core and the countryside; the radicalization of the campesino through participation in guerrilla movements, agricultural cooperatives, religious bodies or as a result of military or elite repression, changed these countries into national political entities. As belated attempts at land reform attest, the city was forced to come to terms with the countryside. By the same token, the political organization of the urban work force and the coalitions the workers formed with middle class groups, rural groups and populist political parties changed the urban power structure as well.

Second, with the exception of Costa Rica, direct action replaced whatever limited bargaining and compromising may have existed before. After the fraudulent elections in El Salvador that denied Duarte the presidency in 1972, the collapse of the party system created a vacuum that was filled, first, by the Roman Catholic Church, second, by the Popular Revolutionary Bloc (BPR)⁵ and, finally, by the FMLN-FDR.⁶ In Guatemala, the party system still functions, but the electoral process, while reasonably fair and honest by Central American standards,⁷ has perpetuated the military in the presidency and has provided no real opportunities for new political forces to take power. Although they take place regularly every four years, elections do not effect change in the underlying power structure or the political orientation of the society; consequently, the governments are not

able to legitimate themselves or to contain the violence initiated by the disaffected guerrilla movements of both the right and the left.

Paradoxically, in El Salvador, elections are viewed by the Duarte government as a means of ending mass insurrection; in Guatemala, on the other hand, the 1982 elections are seen as essentially an elitist affair that could very well result in more violence.

Economic difficulties and charges of corruption have not yet reached the crisis stage in either Honduras or Costa Rica. In Honduras, neither the military nor business groups have been able to dominate totally and the rapid rise of campesino organizations and trade unions to positions of political influence has served as a "safety valve" for mass demands. Furthermore, since the 1969 Soccer War, which sensitized the Honduran army to the problems of the countryside, the military has been willing to listen to some of the demands of the masses as articulated by their leaders. The 1980 constituent assembly elections, which resulted in a surprising victory by the Liberals over the military-supported National party and the scheduling of presidential elections for November 29, 1981, can be understood partially as a desire by the military to create a sufficiently stable and legitimate government to protect Honduras from a spillover of insurrectionary activity that has afflicted its neighbors.

The social democratic consensus⁸ that developed in Costa Rica under former President José Figueres Ferrer after the revolution of 1948 weakened the polarization between the urbanized core and the countryside. The campesino was allowed to organize and, since the founding of the National Liberation party (PLN) in 1948, has been part of its electoral coalition. Upward mobility for the middle class was achieved by increased educational opportunities and by jobs in a greatly expanded public bureaucracy. Both the rural and urban entrepreneurial classes benefited from government subsidies and support for the International Coffee Agreement and the Central American Common Market. However, Costa Rica faces severe difficulties because it has "prematurely modernized"; it has created an educated, consumption-oriented middle class much larger than either its

private or public economy can support. Rising oil prices, coupled with declining commodity prices, have produced a severe balance of payments problem that could severely undermine the nation's considerable industrial development. Recent militancy among banana workers, the emergence of a guerrilla movement (FAC), and the increased popular ownership of weapons all pose a threat to Costa Rica's democratic order.

THE IMMEDIATE FUTURE

What, then, is the future of Central America? And what stance should the United States take toward the region? As this is being written, elections are scheduled to take place in four countries between November, 1981, and March, 1982.

United States officials are hopeful that the November, 1981, elections in Honduras, won by Liberal party candidate Roberto Suazo Cordoba, will usher in a new era of stable, democratic government. However, before the elections both major parties agreed to leave in the hands of the military all questions of national security and give the military a veto over Cabinet appointments. Thus, with Honduras providing sanctuary for both Nicaraguan and Salvadoran exiles and with the emergence of a small guerrilla movement there, it is unlikely that the new civilian administration will be in control of internal security and national defense—the dominant political issues facing the country.

In all likelihood, political power in Costa Rica will shift leftward into the hands of the guardians of the social democratic consensus—the PLN and its candidate, Luis Alberto Monge. The nation will probably enjoy a brief respite, but it is doubtful whether any government, no matter how well intentioned or politically enlightened, can satisfy the aspirations of its growing middle class without considerable help from abroad. Whether the administration of United States President Ronald Reagan will agree to an economic bail-out considering Costa Rica's involvement in running guns to Nicaragua and El Salvador is open to question. Timely assistance now might avoid calls for intervention later.

The March, 1982, elections in Guatemala will only shuffle power among some four or five elite-backed parties committed to preserving the status quo⁹ and will hardly touch the root problems of gross injustice, powerlessness and physical repression. Whatever regime takes power next May will find itself in a catch-22 situation: if it fails to enact fairly visible

(Continued on page 86)

⁸The social democratic consensus was built around support for three basic ideas: (1) constitutional democracy and political pluralism, (2) protection of private property and government assistance to the entrepreneurial class, and (3) the creation of a welfare state.

⁹At the annual meeting of the Guatemalan Managers Association in October, all of the four announced candidates proposed a vigorous free market economy and the military defeat of the guerrillas as the answer to the political crisis. As reported by *Central American Report*, vol. 8, no. 41 (October 17, 1981), their views were so similar that there has been talk of combining all six parties into a single united front.

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Brazilian analysts believe that "the government's abertura process has been spontaneously extended to the arena of public expectations, taking the debate far beyond the initial arena of elite-level conflict to discussions of the relationship between the 1964 revolution and the very fabric of Brazilian society."

Brazil: The Dimensions of Democratization

BY ROBERT M. LEVINE

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BRAZIL'S tortuous path to democratization, begun in 1977 in the thirteenth year of authoritarian military rule, was severely tested during 1981. Initially seen as a one-dimensional political process, the events of 1981 demonstrated that *abertura* (literally, "opening") had penetrated more deeply into society than had previously been imagined and had affected more people's lives. Two of the three major shocks involved individuals—the abrupt firing of General Golbery Couto e Silva, widely considered to be the *éminence grise* behind the presidencies of General Ernesto Geisel (1974-1979) and João Baptista Figueiredo (1979-); and the illness of President Figueiredo himself, who suffered a coronary infarction. The third involved a failed terrorist bombing, earlier in the year, which, if successful, might well have brought down the government and with it the commitment to restore government by law.

The turbulent events of 1981, moreover, occurred against a background of general uneasiness and crisis that extended beyond politics to the economy (where unprecedentedly high unemployment fueled unrest), to the divided institutions of the armed forces and Roman Catholic Church, and to the country as a whole, embracing rural as well as urban pockets of extreme tension. At the same time, democratization moved forward. Censorship was for the most part lifted, the political exiles of the 1960's and 1970's continued to return, dialogue increased, and the politically conscious public remained hopeful if not buoyant about the prospects for unfettered nationwide elections in 1982. Democratization, which had begun under President Geisel in 1977 as *distensão* ("decompression") and which was modified under President Figueiredo as the broader *abertura*, had taken Brazil to a crossroads. The next step would determine the future for at least a generation of Brazilians.

For Brazil-watchers, domestic and foreign, as well as for the presidential administration itself, since its inception *abertura* had been measured largely as a function of political liberty: the willingness of the military government to abide by traditional legal processes like habeas corpus, the right of the accused to

have a formal charge filed against him and the diminution of arbitrary punitive acts (censorship, arrests, interference with or cancellation of elections, proscription of civil rights). Some observers, especially those concerned with Brazilian development because of their commercial and diplomatic links to the country (including executives of foreign banks and multinational corporations), came to view *abertura* in a broader dimension, linking political democratization to structural flexibility and the willingness of the government to broaden economic participation. Finally, intellectuals from all positions on the ideological spectrum began to weigh the implications of grassroots movements and protests, including the community action organizations launched by the Catholic Church and by the growing wave of acts of public anger, destruction of property, and seizure of land. To these analysts, the government's *abertura* process has been spontaneously extended to the arena of public expectations, taking the debate far beyond the initial arena of elite-level conflict to discussions of the relationship between the 1964 revolution and the very fabric of Brazilian society.

On April 30, 1981, the accidental explosion of two heavy bombs on the grounds of a non-political May Day popular music concert at Rio de Janeiro's Rio Center, sponsored by a pro-*abertura* group called Centro Brasil Democrático, caused the death of one agent of the army's intelligence service (DOI-CODI) and seriously injured another. It was widely assumed that the bombs had exploded prematurely and that the explosion had been planned for the public arena. It was further rumored that the intention of the bombings was to create panic and that the terrorist attacks represented the first step in a coup against the Figueiredo administration by hard-liners antithetical to democratization.

The event embarrassed the President and directly incriminated top officials of the First Army in spite of their vehement denials of complicity. The bombing cast a pall over the country, moving moderate opposition politicians to rally behind President Figueiredo and his public efforts to assess blame; at the same time they (and the President's close advisers) knew

that any disclosure of the facts would probably force the hard-liners into a corner and might provoke a coup d'état.

As a result, a blanket was thrown over the investigation. The subsequent five-volume official report pointed suspicion at a left-wing terrorist group, the *Vanguarda Popular Revolucionária* (VPR), thought to be inactive since 1973. The case was formally *arquivado*, or closed, and the surviving army captain who had been driving the automobile in which the bombs had exploded was never called to testify or to explain his role.

Months later, anger over the bombing exploded within the Military Supreme Court (STM) itself. One of the judges, Admiral Júlio de Sá Bierrenbach, a member of the faction identified with the moderate wing of the Geisel administration, lashed out at what he termed the "weaknesses, omissions, contradictions and obscure points" of the official inquiry, and accused military prosecutors of so distorting the investigation that the truth would never be known. The remaining four judges voted against their colleague, who was castigated by the hard-line faction. But others—previously thought to be hard-liners like Bierrenbach himself—defended his right to "obey his conscience," and the incident proved that the division among army officers into categories according to their presumed stances on *abertura* tended to obscure more complex feelings.¹

GOLBERY'S OUSTER

The second major event of 1981, no less explosive in a figurative sense than the Rio Center bombing, was the sudden ouster in August of General Golbery Couto e Silva, known popularly as the "power behind the 17-year-old military stewardship of Brazil,"² and spokesman behind the scenes for even-handed democratization.

Golbery, a geopolitical theorist and the founder of the SNI (the national intelligence agency) during the Castello Branco administration (1964-1967), headed Geisel's and Figueiredo's advisory staff, the Casa Civil, and was so influential that it was broadly assumed that Golbery actually ran the government. Opponents were shocked at his firing because they worried that he would be replaced by someone even less desirable. Thus they turned about-face, calling the man whom they had dubbed Brazil's "Machiavelli" and its

"Great Satan" a "champion of evenhandedness" and the man who above all others possessed a "total vision of the revolutionary process."³

It was announced that Golbery had requested voluntary retirement from his post to take up residence at Luiziana, his ranch 50 kilometers from Brasília in the state of Goiás. The decision to remove Golbery actually reflected President Figueiredo's desire to assert his own leadership and was a victory for Planning Minister Antônio Delfim Neto. Delfim had jostled with Golbery over the so-called Social Benefits Package (*Pacote da Providência Social*) and had forcefully argued for curtailed expenditures on social programs as part of his monetarist economic program. Hard-liners had also called for Golbery's ouster, an illustration of the continuing rupture within the military command that had revealed itself in the symbolic opposition candidacy of General Euler Bentes for the presidency against Figueiredo in 1978. The disagreement had continued to simmer after the forced dismissal of General Hugo de Abreu for insubordination in 1979. In both cases, backers of the more repressive policies of the regime of President Emílio Garrastazú Médici (1969-1974) opposed the more liberal figures who were linked to *abertura*, with Golbery the catalyst and the lightning rod for the behind-the-scenes struggle within the armed forces leadership.

Golbery's fall stunned the pro-*abertura* camp and, as in the case of the Rio Center bombing, forced moderate opponents of the regime to swallow their differences. Thus they eulogized the man who up to the last hours of his tenure in the Figueiredo administration had symbolized military austerity and cold-bloodedness. One by one, opposition politicians (save for Lionel Brizola, one of the most left-leaning oppositionists) took hat in hand and praised Golbery in order to pressure Figueiredo to name another moderate figure as his successor.

The denouement of the Golbery affair pleased neither hard-liners nor moderates, although it amounted to a pragmatic concession to the forces advocating a slowdown for *abertura*. The new head of the Casa Civil, João Leitão de Abreu, was a civilian jurist identified with the Médici administration; but he took pains to portray himself as a moderate. Events after Golbery's departure, however, pointed to a shift in decision-making that suggested a more significant change than the simple replacement of one adviser for another.

After Golbery, the power of the President's Casa Civil was sharply reduced. Leitão de Abreu, the new head, shared power more or less equally with General Octávio Medeiros, head of the SNI. Minister Delfim Neto's influence also increased: the "Great Planner" (as Flávio Rangel dubbed him) continued to mold Brazilian economic policy along the singular lines designed by Delfim in the late 1960's, based on a

¹See *Jornal do Brasil* (Rio de Janeiro), May 31, 1981, p. 6; *The Miami Herald*, July 10, 1981, p. 24A; Herbert Zschech, in *The Latin American Daily Post*, May 10, 1981, p. 1, 8; *Veja* (São Paulo), July 8, 1981, pp. 52-54; October 7, 1981, p. 21; *Latin American Regional Report: Brazil* (London), May 29, 1981, p. 1; *Latin American Weekly Report* (London), October 9, 1981, p. 2. I would like to thank Belle Kamen for her assistance in locating one of the sources for this article.

²*The New York Times*, April 3, 1981, p. 2.

³See *Veja*, August 19, 1981, pp. 26-27.

mixture of centralized control by the state and monetarist laissez faire, at least in regard to social welfare. The new policy included a frontal assault on inflation, deliberately trimming the administration's social benefits package. It also sought to calm foreign nervousness at Brazil's capacity to preserve public stability—since Brazil remains the largest debtor nation among the developing countries technically belonging to the third world—by taking firm and at times repressive measures against strikes and domestic protest.⁴ Some observers warned that General Medeiros, a logical candidate for the presidency in 1985 if the military command refuses to back a civilian, shares the “apocalyptic” view of the hard-liners and is prone to search for scapegoats and subversives if official policies do not achieve desired results.⁵

Hard-line officers strengthened their influence within the military command after Golbery's departure. A vacancy at the head of the Second Army was filled by General Sérgio de Ary Pires, rather than by General Henrique Beckmann Filho, the moderates' candidate. The “hardest of the hard-liners,” General José Luiz Coelho Neto, was appointed by the President to replace General Pires and to coordinate military promotions as the head of the army's *Centro de Informações* (CIE).⁶ A few moderates moved ahead as well, including General Enio Gouvêa, who had purportedly backed Golbery's efforts to prosecute the investigation into the Rio Center bombing, the event which, above all others, was seen as the immediate cause of his ouster. General Golbery himself stopped short of total retirement from political life, accepting a directorship of the Brasília branch of the Banco Cidade de São Paulo and retaining his personal contacts with friends in the government.⁷

The third unexpected event, which served, in a sense, to stop the nation's heartbeat for several hours, was the September 19 announcement that President Figueiredo, 63 years old and apparently in robust health, had suffered a cardiovascular disturbance and had been admitted to a hospital in Rio de Janeiro. Medical bulletins ultimately advised that the President would have to recuperate for at least eight weeks. It was announced simultaneously that the Vice President, mineiro civilian Aureliano Chaves, a 52-year-old moderate, would assume the interim presidency until Figueiredo recovered.

Figueiredo's hospitalization and the formal transfer of symbolic power to a civilian unleashed an outpour-

ing of public speculation overshadowed by sympathy and good wishes for both men. Chaves moved with extreme caution, acting, in one onlooker's words, as a “military officer in civilian clothing.” He conferred with conservative leaders of the Catholic Church and visited Aparecida do Norte, a bastion of religious traditionalism in the State of São Paulo—a visit calculated to give him broad public exposure should he someday assume the role of candidate for the elected presidency. Pointedly, he refused to meet with a labor delegation headed by the Labor party's (PT) Luis Inácio da Silva (Lula), whose prison sentence for anti-government activity remained under judicial appeal. Lula had come from a stormy labor conclave held in the city of Santos—CONCLAT—where he had attempted unsuccessfully to heal a rift between the so-called “authentic” and the more radical *Unidade Sindical*, but Chaves effectively snubbed both factions, fearing to identify himself with any group unfriendly to the military regime.

Once it was determined that President Figueiredo would return to work in mid-November, virtually all decisions of importance were shifted from interim President Chaves to Figueiredo in Rio de Janeiro. Cabinet officers virtually deserted Brasília to appear almost on a daily basis at Figueiredo's residence in the former capital, where the two principal military advisers, General Octávio Medeiros and General Danilo Venturini, remained by Figueiredo's side.⁸ But the willingness of the armed forces command to permit the constitutional transfer of power to a civilian contrasted sharply with its equally quick decision in 1969 to prevent a similar transfer when President Artur Costa e Silva (1967-1969) suffered a heart attack only to have the civilian Vice President barred from the succession even nominally. The new willingness to obey constitutional procedure drew applause from foreign critics, especially in Europe. In the United States, the administration of Ronald Reagan offered no comment, in keeping with its policy of noninterference in the substance of the domestic affairs of other countries.

PUBLIC UNREST

The worsening economic crisis, affecting all sectors of the society, particularly the marginalized population at the bottom of the social ladder, cast into relief still another dimension of abertura: its critical importance as an escape value for the bottled-up frustrations of the majority of Brazilians who benefited little from the economic miracle of the early 1970's. Inflation, reduced from an annual rate of 130 percent to about 95 percent by mid-1981, still hurt salaried workers. Random, often violent, street crime continued to plague not only the cities but the formerly placid towns and villages of the countryside. Stories of assaults and armed robberies monopolized

⁴Latin American Regional Report, September 11, 1981, pp. 1, 3.

⁵Ibid. See also *Veja*, August 12, 1981, pp. 20-33; *Jornal do Brasil*, August 8, 1981, Caderno 1, p. 6.

⁶Latin American Regional Report, September 11, 1981, p. 3.

⁷The New York Times, October 18, 1981, p. 21.

⁸*Jornal do Brasil*, August 27, 1981, p. 1; *Jornal da Tarde* (São Paulo), August 27, 1981, p. 2; *Istoé* (São Paulo), August 26, 1981, p. 22.

conversations among the affluent, who demanded additional protection against the muggers and *trombadinhas* (attackers, often children and adolescents) preying on a rising number of victims. Urban centers have suffered staggering increases in public prostitution, and squalid, jerry-built shantytowns have been built to house thousands of destitute migrants and paupers.

Serious conflagrations erupted throughout 1981, ranging from violent seizure of rural land (in the Araguaia region, for example) to looting of food warehouses by hungry northeastern peasants. In late August, bus riders in Salvador and Manaus reacted spontaneously to sudden fare increases (up to 61 percent, depending on distance) by smashing and burning vehicles, destroying 149 buses in Salvador alone.

Such outbreaks of *quebra-quebra*, or anti-property riots, have frequently occurred in Brazilian cities, usually on the decaying lines of the suburban railroad system in São Paulo and Rio de Janeiro, but never with the vehemence and extensiveness of the Salvador riots. The insurrection forced virtual military occupation of the city and led to dozens of arrests and some firings of public officials for reportedly encouraging an atmosphere of conflict.

In the interior of the state of Pernambuco, more than 2,000 refugees from drought conditions further inland sacked and looted warehouses in the município of Sertânia. The government blamed subversives and Communists, but critics of the government pointed to growing alienation and the fact that the police showed too much inclination too quickly to smash heads to silence the disturbance.⁹

The debate over *abertura*, then, at least permitted arguments without censorship about the responsibility of the state to deal with social issues. Church progressives, for example, rose to the defense of the poor and argued loudly for social justice and for amendment of the harsh (1980) statutes of the Alien Code (*Lei dos Estrangeiros*), enacted to allow the government to expel summarily persons, including priests and missionaries, not permanent residents of Brazil. Since *abertura* allows debate, the arguments between the conservative wing of the Church (seeking little or no social mobilization) and the progressives (advocating an alliance between the Church and its flock at the community level) have been aired publicly and not suppressed. Other protests, including those from newly organized militant black-interest groups, have also been permitted without retribution.¹⁰

*See the article by George Quester in this issue.

¹⁰See, for example, *Revista Movimento Negro Unificado (MNU)*, no. 4 (July-August, 1981), pp. 1-28.

¹¹*Veja*, October 14, 1981, pp. 4-6. See also Jim Brooke, "Dateline Brazil: Southern Superpower," *Foreign Policy*, no. 44 (fall, 1981), pp. 167-180.

THE ECONOMIC SITUATION

Internationally, Brazil's economic aggressiveness continued to win new markets and to stave off measures by foreign financial agencies (like the International Monetary Fund) to "graduate" Brazil from the status of a third world nation (and therefore to impose much more stringent conditions for loans). An effort by the United States administration of President Ronald Reagan to toughen IMF loan criteria was defused by tactful diplomacy, and Brazil continued to expand both its base of international financing and its gross national product. By 1980 Brazil's GNP exceeded \$200 billion, in contrast to its public debt of \$60 billion. Exports boomed in all sectors: agriculture (oranges, coffee, soybeans—in 1981 the country's principal export crop); technology (Brazilian alcohol distilleries have been exported to Kenya, Panama, Mexico, Costa Rica, Nigeria, Argentina, and the Ivory Coast); and industry, especially armaments. Some of the 200 Brazilian light-armored tanks sold to Libya were used in its invasion of Chad; Brazilian helicopters are being used by air force pilots in Paraguay and Bolivia; Brazilian submarines will soon be produced in collaboration with the West German navy; a joint Italian-Brazilian consortium is preparing to manufacture subsonic missile-carrying jet aircraft (designated AMX) for sale to the North Atlantic Treaty Organization (NATO). In 1980, Brazil sold more than \$1 billion in weapons, ranging from flamethrowers to ships. The United States, breaking its six-year deadlock over the sale of enriched uranium to Brazil (which has steadfastly refused to sign the nuclear non-proliferation treaty and which has entered into a multi-billion dollar contract with West Germany to build nuclear reactors) announced during a visit of Vice President George Bush in October that the sought-after uranium will be made available to Brazil in spite of existing federal regulations prohibiting such sale.*

International bankers, heavily committed to Brazilian efforts to develop economically, applauded the decision of the Brazilian military to back *abertura* and to preserve Delfim Neto's policies of fiscal aggressiveness. Citycorp's Walter Wriston, interviewed by the Brazilian newsmagazine *Veja*, reaffirmed his optimism about Brazil's future as a potential superpower and its commitment to a market economy.¹¹ The new United States ambassador, Langhorne Motley, promised ef-

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"... real support for the military government is very weak in Chile. Any significant economic or political crisis, which could stem from a split in the armed forces or a significant rise in repression against middle class elements, ... could easily undermine the regime."

Eight Years of Military Rule in Chile

BY ARTURO VALENZUELA

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AFTER seven years in office, the government of General Augusto Pinochet became the longest lasting administration in the nation's history in 1980. With the ratification of a new constitution in September, 1980, enabling Pinochet to continue as President for another eight years with broad executive powers, the regime achieved a degree of institutionalization that had earlier proved elusive. At the same time, after a severe recession in 1975-1976, the nation's economy seemed to be responding to the revolutionary economic measures instituted by the "Chicago Boys." This group of economists trained at the University of Chicago advocated free market and free enterprise policies aimed at achieving development through the private sector and the opening up of the economy to the world economy. Finally, elections in the United States led to an administration that promised to be much more sympathetic to anti-Communist military dictatorships than its predecessor had been. This opened the prospects of a good relationship with the most important Western power and an end to the isolation the Pinochet regime had experienced since the violent coup of September 11, 1973, overthrew the constitutionally elected government of Salvador Allende.

The 1973 coup proved to be a critical turning point in Chilean history. Chileans had long prided themselves on an exceptional democracy with few parallels. From the 1830's until 1973 all Chile's chief executives had been elected to their office and had made way for duly elected successors, with exceptions lasting for only a few weeks in the turbulent years of 1891, 1924 and 1932. As a result few political leaders believed that a military coup was possible in Chile, even though the chaotic years of the Popular Unity government (1970-1973) led to a significant polarization and breakdown in the nation's traditional politics of accommodation. Attempts to bring about far-reaching social transformations led to a virulent reaction from important sectors of Chilean society, who felt threatened by Allende's socialist policies. Economic crisis and political unrest were exacerbated by government mismanagement. The inability of the political elite to find a solution finally led to military intervention, the

death of Allende, and the collapse of democratic institutions.

The coup was brutal, with few parallels in Latin America. The military leadership anticipated strong resistance on the part of the working class; and although resistance never materialized, leaders and followers of the parties that had constituted the Popular Unity government were arrested, tortured, and killed, and countless others were driven into exile.

From the outset, the military junta made up of the commanders of each of the military services made it clear that they were not interested merely in restoring order to return to the constitutional practices of the past. Though the coup was waged in the name of the constitution and of traditional Chilean political values, once in office the military blamed those very traditions and practices for ruining the nation. Its task was not to be restorative, but regenerative, aiming at building new political institutions and a new society. A new political order would require a "new Chilean" steeped in healthier civic habits.

To accomplish this task, the military closed the Congress, disbanded local governments, and outlawed or severely restricted all political parties. Although the parties of the left suffered the brunt of the government's repression, Chile's largest single party, the Christian Democrats, became the target of government restrictions aimed at destroying all partisan activity. In fact, all organized activity was restricted. Meetings had to be approved by the authorities, and elections were prohibited. Even today, nonprofit organizations have routinely to submit names of officers to the authorities for approval.

The demobilization of society was not accompanied by an attempt on the part of the military to create its own political movement. In that sense, the regime is different from European authoritarian regimes based on a degree of popular mobilization and organization. Decisions in the regime are made at the highest government levels, with little participation of societal sectors affected by resulting policies.

The single most important political characteristic of the regime has been the consolidation of extraordinary power in the hands of General Pinochet

himself. By combining the prerogatives of head of state with his position as commander in chief of the army, Pinochet has skillfully eliminated all potential rivals in the services, promoting those who owe him personal loyalty. From his position as a relatively weak president of the junta (he had joined the coup only days before), he has displaced the junta as the fundamental source of authority. Supported by high ranking officers in the *Estado Mayor Presidencial*, and the *Comite Asesor Presidencial* (previously an advisory body to the junta itself), he rules with dictatorial powers.

The supreme authority Pinochet established for himself received constitutional sanction with the adoption of the 1980 constitution. This document, which charts a far more restrictive democracy than Chile has enjoyed since the mid-nineteenth century, will in fact not go into effect until 1989. Transitional provisions provide for a continuation of the current junta, with Pinochet officially designated President of the Republic until 1989. At that time, the commanders in chief of the armed forces will be able to designate a new President, who will then serve with an elected legislature for another eight-year term. Although Presidents are restricted to eight-year terms, the constitution makes an exception for this first President, thus making it theoretically possible for Pinochet to hold office until 1997.

One provision of the transition clauses has drawn particular fire from opposition elements and constitutional scholars. Article 24 gives the President the right to declare on his own authority a state of emergency, which in turn empowers him to arrest for up to 15 days, to exile or prohibit entry into the country, or to relegate to internal exile for a period of up to 3 months any individuals deemed to be security risks. He can also restrict the right to assembly and the freedom of information through the prohibition of books and publications. What is extraordinary about this article is that there is no appeal, except to the President himself. This makes it impossible to file habeas corpus petitions or to seek redress through the courts.

ECONOMIC AND SOCIAL TRANSFORMATION

As dramatic as the transformations have been in Chilean politics, equally dramatic transformations have been instituted in the socioeconomic sphere, with far-reaching implications for Chilean society. Government spokesmen have argued that their economic and social reforms are designed to lead to structural transformations of such magnitude that they will eliminate the appeal of traditional parties and leaders.

In order to implement these policy changes, the government turned to a team of economic advisers who argued that underdevelopment could only be overcome by promoting private enterprise and reducing all barriers to Chile's full integration into the

world economy. Despite their statist predilections, top military officers agreed that these transformations were necessary. As a result, the state's economic activities have been gradually dismantled; government budgets have been reduced, price controls have been eliminated; and regulatory agencies have been put out of business. Firms formerly in the state sector or under state intervention were sold to private interests. The state also withdrew support from programs like social security, health care and education, as privatization became a fundamental objective. Only some of the largest state firms in strategic sectors, like copper and utilities, were kept in state hands, although members of the economic team successfully pressed for new investment in those areas that could be allotted to private interests.

In addition to the sharp reduction in the size and activities of the state, the government drastically reduced the tariff barriers that had been established to protect domestic industry. Arguing that Chile had to develop efficient industries and to rely on its comparative advantages in the export of minerals and foodstuffs, the economic team permitted the entry of imported products to compete with domestic firms. The result of these policies was an initial decline in production and employment, also affected by the 1975-1976 recession, with a significant increase in non-traditional exports and a marked increase in imports of consumer items. Although employment remained down, Chilean industry seemed to adapt to the competition of foreign imports in several industrial sectors; by 1977 and 1978, industrial production was once again rising.

The ability of the Chilean economy to weather the shock treatment of the government's economic policies was aided by significantly lower wages and salaries. A wage ceiling was maintained while prices were allowed to rise. Organized labor was severely restricted. Foreign loans increased significantly, particularly loans to the private sector from international private banking institutions.

By 1980, government economic policies seemed successful, according to several key indicators. Growth rates had finally rebounded to well over eight percent after the severe recession of 1975-1976. Non-traditional exports (non-copper) had increased significantly, while the balance of payments became favorable and national reserves increased. Most dramatically, government deficits were eliminated and inflation rates were brought down to below 30 percent, after having reached a peak of 600 percent in 1973.

The change of administration in Washington added to the optimism in government circles. United States President Jimmy Carter's human rights policies were a constant irritant for the regime and, added to the general condemnation of the Pinochet government in the Western world, made it difficult for the regime to

achieve international respectability. Perhaps the most humiliating moment for Pinochet came when, while he was en route to the Philippines for an official state visit in 1980, President Ferdinand Marcos cancelled the visit, forcing Pinochet to return to Santiago. Other Latin American authoritarian regimes, notably Brazil, kept their distance. The most serious issue between Chile and the United States was the Orlando Letelier affair, with the United States government demanding that the head of Chilean security be extradited to the United States for his implication in the assassination of Allende's former foreign minister and ambassador to the United States on the street in Washington, D.C., in September, 1976. Poor relations with Washington also affected United States-Chilean economic relations; the Carter administration suspended Export-Import Bank credits, foreign aid and military sales, forcing Chileans to look elsewhere at greater cost.

The Reagan administration rescinded the Carter administration's measures, pointing to a decline in Chilean violations of human rights and its desire to establish better relations with anti-Communist regimes. Though the administration noted that human rights considerations would still take priority in quiet diplomacy, the changed attitude in the United States seems to have emboldened the Chilean government with respect to dissidents.

In mid-1981, shortly after the visit of United States Ambassador to the United Nations Jeane Kirkpatrick to Santiago, the Chilean government expelled four prominent moderate political leaders, including the president of the Chilean Human Rights Commission, a relatively conservative jurist who had served as Minister of Justice in the Christian Democratic administration of President Eduardo Frei (1964-1970). They were expelled for signing a letter condemning the government's arrest of several prominent labor leaders who had petitioned the government for redress of grievances. Clearly the changed position of the United States made the work of opposition groups, particularly moderate opposition elements who depend on fundamental freedoms, much more difficult.

PINOCHET'S LONG-TERM VIABILITY

An observer of the Chilean military regime in 1980 and early 1981 would be justified in concluding that the regime had made significant progress. Yet the regime continues to exhibit fundamental underlying weaknesses in the political sphere and in the socio-economic sphere that raise serious questions about its long-term viability. Indeed, the positive signals of 1980 may come to be interpreted as a brief hiatus for a government that faces intractable political and economic difficulties although it may be able to remain in power several more years. Economic developments in the waning months of 1981 suggest that

the regime's difficulties may come sooner than later and may be more serious than even some critics anticipated. They may have important implications for future regime political stability.

Paradoxically, despite the adoption of the new constitution the government probably has fewer active supporters today than it had at the time of the coup. The coup was welcomed by many Chileans who were tired of the chaos and uncertainty of the Allende years and were fearful of socialist policies.

But eight years later, many of these same people have serious quarrels with the regime, including small business associations, truckers' confederations, farmers and professional associations, and political activists in organizations like the Christian Democratic party. Indeed, the Christian Democratic party has joined leaders in the Church, including Cardinal Raúl Silva, in open opposition to the regime. As a result, party organizations from left to center, which garnered two-thirds of the vote in popular elections, advocate a rapid return to democracy and a fundamental modification of economic policy.

Business opposition to the regime is a direct result of government economic policies that have encouraged imports by opening up the Chilean economy. Although some economic groups have benefited significantly from the government's economic policies and from access to large foreign loans from international banking circles, small and medium-sized industries have been seriously hurt. Imports of foodstuffs have also been devastating for Chilean agriculture, which has had to compete with a flood of foreign products.

Professional associations have objected to their lack of input in important policy decisions affecting their professional interests and the policy areas with which they deal. Thus doctors have been appalled at the state's efforts to reduce its commitment to public health care as well as by recent government measures aimed at curbing the traditional prerogatives and privileges of professional associations. They object, for example, to the secret drafting, without consultation, of a new code of ethics to be applied to all associations, by a commission named by the Minister of Justice.

As a result, in early November, 1981, several professional associations, including the medical association, elected slates of officers who were identified with elements opposed to the regime. Even in the conservative bar association, almost half the votes were cast for slates identified with opposition parties.

Nor has the government gained strength in areas where new policies were instituted to strengthen it. New labor legislation was devised to break the monopoly over the labor movement enjoyed by the parties of the left. But in elections administered by the government, where political considerations are de-

liberately excluded, opposition elements have garnered majority support. Of the major labor groups in Chile today, the one identified with the government is in a minority. The Coordinadora, the successor of the Marxist labor federation, is the largest group, followed by a loose association of labor organizations identified primarily with the Christian Democratic party.

Active support for the government can be found primarily in the military institution itself, including active officers and retired officers and their families, a not insignificant number considering the fact that the armed forces have more than doubled in size since the coup. Support from the regime also comes from economic groups that have benefited greatly from government economic policies.

The most vocal support for the regime has come from far right groups with little active popular following, like *Patria y Libertad*, a fascist organization that was involved in paramilitary activity against the previous regime. Ironically, these elements, although very supportive of the military, have been extremely critical of the government's economic stand. As avowed nationalists, they want a return to a greater state role in the economy and have decried the social cost of the economic model and its impact on the middle class. Although the fascists are few in numbers, their views are shared by many military officers quietly critical of the regime.

The government points to the plebiscite, in which the constitution was ratified by over 60 percent of the voters, as its legitimizing base. But it is doubtful that it can be accepted as evidence of significant support for the regime. Citizens were provided with no real choice, but were offered a simple yes or no endorsement of the new constitution. The government and pro-government organizations, with their overwhelming monopoly over the mass media, made it difficult for opposition elements to present their case. At the same time, many people, particularly leftists, voted for the government for fear of reprisals. This was particularly the case in small towns and working-class neighborhoods where people are more easily identifiable or where repression has been particularly severe. Finally, the plebiscite was undertaken without registration rolls; a precise count of the eligible electorate was impossible, making fraud very easy.

These judgments should not be taken to mean that the government lacks substantial civilian support. Many Chileans are still fearful of a return to the disorder of democratic politics. But it is clear that support for the regime is primarily based on this rejection of the past and is not an acceptance of current policies. Thus, real support for the military government is very weak. Any significant economic or political crisis, which could stem from a split in the armed forces or a significant rise in repression against

middle-class elements (like those that might identify with the Christian Democratic party) could easily undermine the regime.

ECONOMIC QUESTION MARKS

After the severe recession of 1975-1976, the Chilean economy rebounded significantly, achieving an industrial growth rate of 14 percent in 1979. However, recuperation was short-lived. Growth rates declined in 1980 and are not expected to be more than four percent in 1981. At the same time, mining and agriculture will experience little if no growth. To a degree, Chile's economic difficulties are a product of the world recession and a sharp drop in copper prices. However, the international recession cannot mask important questions concerning the viability of the Chilean economic model.

Many firms, both small and large, have been going bankrupt because they have been unable to cope with foreign competition. In 1974, 28 firms closed down; by 1980 that figure rose to 350, a 160 percent increase over the previous year. Future growth rates are jeopardized by a low investment rate, which averaged 11.2 percent from 1974 to 1979. Growth rates in this period were affected disproportionately by growth in the commercial and service sector, with an average increase of 5 percent, as opposed to an average increase of 1.3 percent in agriculture, mining and industry. And outside the mining area, foreign investors have not been attracted to Chile, both because of its small market and because of the ease with which products can be exported from other countries to Chile to satisfy domestic demand.

Although government policies have encouraged the development of some nontraditional exports, these have not been sufficient to make up for the enormous demand for the imported consumer products that have flooded Chile. Chile has been able to cover the deficits in the balance of trade by resorting to larger and larger international loans, primarily from the private sector. International borrowing has contributed in no small measure to a sharp concentration of economic power in Chile; private entrepreneurial groups have bought up a host of companies many of which were previously in state hands. But borrowing has not contributed to a substantial rise in domestic industrial activity; instead, it has helped to fuel a speculative construction boom and a flood of imports.

Thus the Chilean economic miracle of 1979 and 1980 turned sour only a year later. A key turning point occurred in mid-November, 1981, when the government, turning radically away from previous policy, was forced to take over four banks and the country's four largest credit institutions. A harbinger of this financial collapse came earlier, when CRAV, a sugar importing and refining company, went bankrupt with a loss of close to \$300 million.

Although the government refused to intervene in the case of many previous bankruptcies it had to intervene in what was apparently the largest financial failure in recent Chilean history. The banks included the Banco Español, the second largest private bank in the country, and together accounted for over 13 percent of all deposits in the private banking sector. (An equivalent collapse in the United States would have to include the nation's three largest banks, including Bank of America, Citibank and Chase Manhattan). The *financieras* that failed had 49.4 percent of all deposits in those popular lending institutions. Although the dimensions of the losses are not clear, they are rumored to be over half a billion dollars, or twice as much as the CRAV failure. In addition to bank failures, Chile's largest insurance company, with about 8 percent of all policies in force, also failed.

In the short run, the government has succeeded in protecting depositors by pledging to meet all obligations. Yet the fundamental problem remains. Much Chilean industry is so weak that many other firms may have difficulty in meeting their financial obligations.

But it is not only the government's free market policies that have contributed to current economic difficulties. Also responsible is the fixed exchange rate, which has maintained the Chilean peso at 39 to the dollar since June, 1979. Since until recently Chilean inflation was higher than international inflation, this led to the severe overvaluing of the peso. Imports became cheaper, while Chilean exports became more expensive and the country became less attractive for direct foreign investment. In the first nine months of 1981, exports declined 13.8 percent over 1980, for a total of \$3 billion. At the same time, imports increased by 28.2 percent, for a total of \$5.2 billion, with consumption items up 54.4 percent over 1980. The result was a balance of trade deficit of \$2.2 billion for nine months, twice the deficit for all of 1980. The projected deficit is over \$3 billion, or about 8 percent of the value of all goods and services produced in 1981.

Although many sectors in Chilean society have demanded that the government devalue the peso to help exports and discourage imports, devaluation was strenuously rejected by the economic team. The fixed exchange rate has been an important element in the decline of the inflation rate. More important, the fixed exchange rate enabled Chile's major economic groups to pay back international loans at favorable rates. In 1980, Chile's foreign debt was \$11 billion, about half of it concentrated in the private sector. By the end of 1981, it is projected to be \$15.25 billion, with most of the new debt going to the private sector. Servicing this debt will require some \$2.3 billion, or well over half of the value of Chile's exports. Because of the magnitude

of the debt (close to 50 percent of the country's GNP in 1981 and rising faster), any devaluation would make loan payments much more difficult, perhaps contributing to the collapse of financial institutions already pressed to the limit.

The government is faced with an intractable dilemma. If it does not devalue, exports will continue to suffer, imports will continue to compete with hard-pressed domestic firms, and further foreign borrowing will be necessary. But with rumors of devaluation in the air, foreign lenders may want to wait until after devaluation before they make commitments for new loans. And the failure of several key financial institutions has made international bankers much more wary of the stability of the Chilean economy and, perhaps more significantly, wary of a possible change in government policy from the current neutral, noninterventionist posture, to a more interventionist policy that might be detrimental to their interests.

An alternative to devaluation is to contract the domestic economy further in order to push down the level of imports. This appeared to be government policy at the end of 1981. Unfortunately this approach aggravates further the recession that affects all sectors of the economy. It also further aggravates the social cost of the model, a cost that has been for some time at an intolerable level. For the last quarter of 1980, unemployment was close to 16 percent if workers from the government public works program earning less than subsistence wages were included. And wages and salaries, after eight years of military government, are still below the levels they achieved in 1970, before the election of Allende to the presidency. Any further contraction of the economy will only aggravate the serious and unresolved social problems the government faces.

CONCLUSION: A CHANGE OF REGIME?

Although the country faces important economic difficulties and the government has a weak base of support, a fundamental change in Chilean politics in the near future is unlikely. So far, the military stands strongly united behind the President, and most sectors identified with big business continue to support the regime. At the same time, the opposition con-

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"The consistent theme of the regime and its policies has been 'transition,' and even the new presidency of General Alvarez has been characterized as transitional by the military leaders and their puppet institutions."

The Struggle for Normalcy in Uruguay

BY RONALD H. McDONALD

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THE past decade in Uruguay began with unprecedented turbulence, conditioned by the gradual but steady decay of Uruguay's economy, a growing tide of urban terrorism, and the erosion of its national institutions. The military intervened very gradually in Uruguay's political life and ultimately imposed an authoritarian regime, unlike the dramatic confrontations in Chile that produced a violent and brutal military coup on September 11, 1973. But the result was similar: the destruction of one of Latin America's oldest and most resilient democratic traditions.

The military came to dominate the nation's institutions one by one—the police, the press, the presidency, the legislature, labor unions and other interest groups, the political parties, political and intellectual leaders, the universities and schools, and finally the economy itself.¹ When the military forced the resignation of the country's last elected President, Juan María Bordaberry, on June 12, 1976, Uruguay was placed under total military control. The military regime was committed to destroying every vestige of political radicalism and traditional politics, without regard to human rights or traditional political values.

The military rationalized its intervention as a response to three long-term trends in the country: economic decay, increasing political violence, and growing government paralysis and corruption. The economic decay was due to a combination of factors: decline in international demand for and prices of traditional exports, stagnation of domestic agriculture, inefficient industrial production, a burdensome level of social security, welfare, and public service

programs, and a high level of government employment in the bureaucracy and in government controlled enterprises.² During the period 1956-1972, the nation's gross national product declined by more than 12 percent, the worst performance in the hemisphere, while its inflation rate soared to triple-digit levels. Wages failed to keep pace with inflation, and living standards slowly deteriorated. From the mid-1960's until the military takeover, the Tupamaros, perhaps the most adroit urban terrorist movement in Latin America, tormented the authorities, eluding the police and embarrassing the government.³ The nation's legislature and the presidency and its traditional political parties and their leaders seemed paralyzed in the face of these two challenges, moribund in their outdated coalitions and clientele politics.

Uncharacteristic accusations of favoritism and scandals of corruption emerged with increasing frequency, threatening the institutional legitimacy of the regime and antagonizing military leaders. The flagrant disregard of traditional legal and constitutional restraints by the last two elected Presidents, José Pacheco Areco (1967-1972) and Juan María Bordaberry (1972-1976), and the growing appeal of the Broad Front (Frente Amplio), a Marxist-dominated electoral coalition that won 18 percent of the total vote in the 1971 national elections and an impressive 31 percent of the vote in Montevideo, combined to create what the military perceived as an intolerable political confrontation.

The military was unaccustomed to interfering in the nation's politics. For most of the twentieth century it had been a symbolic institution, too small to engage in international confrontations and unnecessary for maintaining domestic stability. Its career officer corps was small and professionally trained but not noted for its cohesive leadership. The total size of the military before the coup was no more than 7,000 members, less than one-fourth the size of the New York City police department. As it was drawn into the nation's political affairs, it became increasingly divided ideologically. Originally, there were three loosely defined orientations. The "legalists" saw the role of the military as the protectors of the traditional democratic processes. Primarily representing naval

¹For more comprehensive background on this period, see Philip B. Taylor, Jr., "Uruguay: The Costs of Inept Political Corporatism," in Howard J. Wiarda and Harvey F. Kline, eds., *Latin American Politics and Development* (Boston: Houghton Mifflin Co., 1979), pp. 262-80; also, Ronald H. McDonald, "The Rise of Military Politics in Uruguay," *Inter-American Economic Affairs*, spring, 1975, pp. 25-43.

²A general description of this process is presented by Martin Weinstein, *Uruguay: The Politics of Failure* (Westport, Ct: Greenwood Press, 1975), pp. 113-39.

³An excellent description of the Tupamaros and their tactics is Arturo C. Porzecanski, *Uruguay's Tupamaros: The Urban Guerrilla* (New York: Praeger, 1973), pp. 27-47.

officers, the legalists mobilized a demonstration in the streets of Montevideo in November, 1972, to denounce rumors of a conspiracy to remove the elected President from office. The "hard-line" group known as the "Brazilianists" mistrusted all politicians and advocated a strong, authoritarian response by the military to the emerging chaos. The "populists" (also known as the "Peruvianists") were committed to a firm response by the military, but one that would correct social and class inequities in the country, on the presumption that these were the fundamental causes of Uruguay's political problems.⁴ In a short time, the legalists all but disappeared as a faction in the military; the other two groups formed a tenuous and shifting coalition. The hard-liners were led by General Esteben Cristi, commander of the first military region (Montevideo), and the populists were led by General Gregorio Alvarez, then commander of the fourth military region; allied with General Alvarez was General Abdón Raimúndez. Alvarez became commander-in-chief of the armed forces in 1978, and following a brief retirement, he was named President in 1981 by the military government.

Military intervention had begun during the presidency of Jorge Pacheco in the late 1960's when the government imposed the *Medidas Prontas de Seguridad*, permitting a "temporary" assumption of extraordinary powers by the government to deal with the escalating violence of the Tupamaros. The press was censored, and several newspapers and radio stations were closed. The number of people arrested and interrogated rose rapidly. After the national police failed to cope with the situation, the military finally assumed direct control of the anti-terrorist campaign. During this period, party politicians escalated their criticism of the President and the government, and leading military officers began to make only slightly shrouded threats.

In February, 1973, the military presented an ultimatum to President Bordaberry, demanding that he eliminate corruption from the regime and the bureaucracy and address himself to the problems of inequality that plagued the rural areas. As a result, the *Consejo de Seguridad Nacional* (COSENA), a national security council, was established to "advise" the President; it included the commanders of the three

military branches and the Ministers of Interior, Defense and Foreign Affairs. In June, 1973, Bordaberry dissolved Congress, prohibited all political party activity, banned parties of the left that had participated in the 1971 Frente Amplio electoral alliance, repressed the opposition newspapers, banned the powerful National Labor Congress (CNT), and arrested numerous political and union leaders. In effect, Bordaberry, with military encouragement, staged a coup against his own legally established government. Six months later the military forced Bordaberry to resign.⁵

As a way of insuring and enforcing its involvement in these extraordinary events, the military established the *Comisión de Asuntos Políticos de las Fuerzas Armadas* (COMPASPO, or "Armed Forces Committee on Political Matters"), including high-ranking officers of the military. COMPASPO was charged with developing a plan to establish national institutions that could deal with the political and economic crises that had emerged in the preceding decade. Despite growing military involvement in day-to-day government, the armed forces tried to maintain a thin thread of legality for the process, an effort that under the circumstances and within the culture of Uruguayan politics was all but hopeless. After Congress was dissolved, a Council of State was formed, consisting of politicians from the two traditional parties—the Blancos and the Colorados—whose function it was to act in lieu of Congress. The Council of State, comprised of right-wing representatives of the parties, was little more than an agent for the military.⁶ This group was subsequently expanded to include 28 officers from the military, and called the *Consejo de la Nación*, or National Council. The Vice President in the Bordaberry government, the elderly Alberto Demichelli, temporarily assumed the presidency. In July, 1976, the National Council selected 72-year-old conservative Aparicio Méndez to serve as President. Under Méndez a transition toward a new constitution and, eventually, new elections was promised. Technically, Méndez was selected to serve the "normal" five-year term from 1976 to 1981, but he served wholly at the discretion of the military leaders, a point he clearly understood. The military leaders did not acknowledge, at least publicly, that a "coup" had ever occurred, but preferred to speak of the dissolution of Congress and the "normal" institutional steps that followed.

The earlier proposals for reform and social justice articulated by some of the military leaders quickly lost relevance as the military assumed greater power and established priorities toward the eradication of the Tupamaro movement and any individuals thought to be supportive either of it or of other radical political alternatives; the rebuilding of the national economy on new structural and policy foundations; and the elimination of corruption.

⁴This characterization of the military divisions is presented by Howard Handelman, "Military Authoritarianism and Political Change," in Howard Handelman and Thomas G. Sanders, eds., *Military Government and the Movement Toward Democracy in South America* (Bloomington: Indiana University Press, 1981), pp. 221-22; a somewhat different description is that by Edy Kaufman, *Uruguay in Transition* (New Brunswick, N.J.: Transaction Books, 1979), pp. 57-70.

⁵Handelman, *op. cit.*, p. 227.

⁶The principal leaders of both the Colorado and Blanco parties were either in exile or stripped of their rights, and did not participate in this venture.

The military was preoccupied with its campaign against leftists, labor leaders, intellectuals, and traditional party politicians. By 1976, thousands of people had been arrested, interrogated, or imprisoned, a greater proportion of the national population than in any other country in the world. Those under suspicion were stripped of their political and legal rights and were often denied employment. This campaign succeeded in controlling and eventually exterminating the Tupamaros and their leaders, but it was accomplished with such harshness and disregard for individual rights that it brought a strong response from international human rights organizations and, eventually, from the United States government during the administration of President Jimmy Carter.

In 1978 the Law of a State of Emergency decreed by the government proclaimed that Uruguayans could be imprisoned for holding "anti-government" ideas, even when such ideas were not formally written or published or followed by any specific actions by the individuals.⁷

A NEW CONSTITUTION

General Gregorio Alvarez, commander-in-chief of the armed forces from 1978 until his mandatory retirement in 1979, was the most influential officer. Under his leadership a new constitution was drafted for approval in a nationwide referendum. The document was written by the Armed Forces Committee on Political Matters and was subsequently approved by the Council of State and the larger Council of the Nation. It was then submitted to a constitutional assembly made up of the Council of the Nation and the president of the Council of Ministers.

The new constitution provided for a strong, continuing role for the military, which would retain final control over all areas of public policy, ranging from education to economics. The proposed document banned all groups known to be "totalitarian," and no political party would be allowed if its ideology, principles, name, or functioning demonstrated a link to foreign institutions, organizations, parties, or other states. Anyone participating in such a party would thereafter lose all political rights. The document provided for a Congress greatly reduced in its powers; it also emasculated the role of the political parties, especially the previously autonomous factions of the parties known as "sub-lemas." Following the referendum, free elections for the Congress would be scheduled, but there would be only one presidential candidate, proposed by the parties and approved by the military. The first free presidential election would occur in 1986.

It was generally assumed that the next President

⁷Handelman, *op. cit.*, p. 234.

⁸Reported by *The New York Times*, December 28, 1980, p. E3.

would be General Alvarez, under whose tutelage the proposed constitution had evolved. Lieutenant General Luis V. Queirolo, who succeeded Alvarez as commander-in-chief of the armed forces and as nominal head of the ruling National Council, commented publicly during a visit to Washington, D.C., in 1980 that to be eligible for the presidency a military officer would have to be "retired" for at least four years. Queirolo underestimated the loyalty of many of his fellow officers to Alvarez; the National Council subsequently announced that any retired officer would be eligible for the presidency.

The proposed constitution provoked unanticipated hostility, not only from political leaders and the press, but apparently from the general population as well. Despite a well-organized and well-influenced campaign by the government to promote a favorable vote on the referendum, scheduled for November 30, 1980, and despite the fact that newspapers were allowed to report and comment on the proposal for only a few weeks before the referendum, the proposal lost. With more than 80 percent of those eligible voting, the results showed 880,000 votes against the proposal and only 642,000 votes in favor of it. For a military regime to admit defeat in its own sponsored and controlled referendum was an extraordinary event, a source of enormous embarrassment to the regime. Despite his close identification with the constitutional referendum, Alvarez's political position was not damaged, although General Queirolo used the occasion to remind Uruguayans that "It is not a requirement to have been dressed in uniform to govern."⁸

In August, 1981, it was announced that General Alvarez would assume the presidency on September 1, 1981, at the recommendation of the military and with the approval of the Council of the Nation. The Council instructed Alvarez to prepare the country for new elections before the end of his term on March 1, 1985. Meanwhile, the armed forces indicated that traditional political parties would be permitted to name some of the future members of the Council of State; that political meetings would be allowed throughout the country, provided that such meetings exceeded no more than 40 persons and that the government received advance notice; and that freedom of the press and resumption of labor union activities would again be permitted. Before the installation of the President, a new Council of State was installed on August 20. Its 35 members will remain in office during the transition period, to March, 1985. The powers of the Council have been expanded, and it is responsible for calling a constitutional assembly, a plebiscite, and general elections.

Shortly after taking office, President Alvarez initiated talks with leaders of the two traditional parties to discuss restoring the political freedoms that were suspended in 1973 when the military took power.

Reports indicate that the military proposed a commission of three high-ranking officers and three members from each of the two parties to draw up a new party statute; party representation was to be limited to parties that supported the unsuccessful constitutional referendum of November, 1980; this automatically excludes leaders of the leftist Broad Front coalition. General Abdón Raimúndez, a close ally of President Alvarez's and president of the Armed Forces Political Affairs Commission (COMPASPO), confirmed the new administration's determination to proceed with the discussions and seek a solution to the present situation. One serious obstacle to the discussions may be the regime's determination to retain COSENA, the National Security Council, as a means to protect internal security. In general, the climate seemed to be easing somewhat; political rights have been restored to several hundred thousand people who had been prohibited from voting, holding government office, or engaging in political activity.

The political inexperience of the military officers has created tensions within the military itself. Most of the officers are from lower middle-class, rural backgrounds, and are poorly educated. In 1977, some two dozen officers were arrested for criticizing the government and urging a return to civilian rule. An edict issued by the military made retirement mandatory for officers who failed to support the armed forces' "coherent line"; several dozen officers have been retired under this edict, and conflicts over national policy have led to early retirements.

Besides the problems created by their political inexperience, the military officers have failed to construct a coherent program for institutional renovation and reform. They have pursued a contradictory policy of "normalization" and return to civilian rule while at the same time reacting repressively to political opposition and dissidence, unwilling to surrender their major role in national policymaking or their veto over subsequent leaders. Their policies are unpopular with the politically aware and sophisticated population and thus they are unable to extinguish Uruguay's long tradition of individual rights and democratic rule.

In the past few years, Uruguay has enjoyed a moderate economic recovery, at least in the aggregate, and a gradual restructuring of the economy and the priorities and incentives that regulate it. But the costs have been very high over the past decade, living standards for the majority have declined significantly, perhaps by as much as 50 percent; unemployment has risen to unprecedented levels; and economic inequalities (in a society that once had perhaps the least economic inequality of any in Latin America) have increased.

The country's economic malaise is due to several

⁹Handelman, "Economic Policy and Elite Pressures," in Handelman and Sanders, *op. cit.*, pp. 245-48.

factors: the decline in the value of its traditional exports (meat, wool, leather) and the rural economy's failure to adjust its production to changing world demands; the futile attempt to industrialize an economy too small to support such an effort efficiently; and the extension of government programs of supports and subsidies—in education, welfare, public services, as well as employment in public corporations and the bureaucracy—to such a level that the country's economy simply could not afford the burdens imposed by the public sector nor tolerate the lethargy and inefficiency of the private sector. Politicians and government leaders were unable, or unwilling, to force Uruguayans to change their traditional life-styles, and the result was sustained economic decay.

After the worldwide depression of the 1930's Uruguayan exports rallied and remained strong until after the European recovery following World War II and the Korean War.⁹ The capital generated by this trade encouraged investment in import-substitute industries, supported by favorable government policies of protectionism and low-cost loans, and it contributed to a growth in urban employment. During 1945-1955, a period of affluence and optimism in the Uruguayan economy, industrial expansion grew at an average rate of over 10 percent annually. However, the revitalization of European agricultural production and diversification of its sources of agricultural imports, combined with the development of synthetic fibers, gradually eroded the demand for Uruguayan exports.

The change was a gradual process that most Uruguayans could ignore from year to year, but the cumulative effects were disastrous: a loss of 40 percent in the real value (in fixed dollars) of exports from 1951 to 1961, accompanied by a substantial rise in the costs of imported manufactured goods and raw materials. During the period 1960-1970, Uruguay's gross domestic product (GDP) declined. The country seemed to be suffering economic paralysis, locked into an economic and political system based on the premise of continuing growth and expansion during a period of economic change and decline. The governments, unable to generate sufficient revenues, supplied huge and growing deficits, which led to rapidly rising levels of inflation, in some years exceeding 100 percent annually. By 1973, when the military had finally gained control over the nation's representative institutions and the communications media, the military assumed the responsibility for economic reconstruction.

Alejandro Vegh Villegas was selected as Finance Minister; although he held the post for only two years, he set the course for economic change. Vegh's policies were basically those of laissez-faire economics and free-trade; his objectives were to stimulate economic growth, expand and diversify Uruguayan exports, and

reduce the level of inflation. Toward these ends he pursued the elimination of protectionist policies and the deregulation of imports, a reduction in government programs, expenditures, and employees (excepting, of course, the military), elimination of currency controls and restrictions and the deregulation of interest rates, the elimination of most personal taxes and all price controls and the reduction of corporate taxes, with the eventual goal of a balanced budget. His policies were similar to those pursued in the 1970's by Chile and Argentina, both of which were also under military control. The task of recovery was made more difficult during this period by two critical changes that affected the country's trade balance: the rapid and unprecedented rise in the cost of imported petroleum, a major factor for Uruguay since it produces none of its own, and the decision by the European Economic Community (EEC) to stop importing food commodities. Falling meat prices drastically curtailed the production of meat and dairy products for internal consumption, and unfavorable weather for several years substantially reduced agricultural production of basic grains, particularly wheat.

In addition, Uruguay was required to import some agricultural commodities for its own consumption and to impose meatless days on its population. In a very short time, Vegh managed to alienate a diverse cross-section of the nation's elite: ranchers and farmers were angry at his unwillingness to reduce land taxes following the sharp drop in their income; industrialists feared anti-protectionist policies would make them uncompetitive with cheaper imports; foreign-owned companies asserted that they could no longer operate profitably if the new policies were implemented, and many threatened to withdraw their operations from the country. Even some military leaders found the new policies too extreme. Vegh's resignation in 1976 came as a result of a policy disagreement with the military (ironically over a political, not an economic issue), but his program remained essentially intact under the new Minister of Finance, Valentín Arismendi, Vegh's former Deputy Minister and protégé.

The policies initiated by Vegh have been partially successful, although at very high cost. The economy was turned around, and began to show positive economic growth. From 1975-1977 the GDP rose at an average annual rate of 3.5 percent; in 1978 it rose by 3.9 percent, and in 1979 by 8.4 percent. Construction, primarily private housing and tourist facilities, showed the highest growth rate, averaging 13 percent

annually from 1975 to 1977, and reaching 20 percent in 1979. Manufacturing grew at an average annual rate of 5.8 percent in 1975-1978, and reached 10.1 percent in 1979. In 1979, agriculture managed to show growth of 4 percent in real terms. Tourism, an important component of the economy, has also shown strong growth in recent years.¹⁰

Despite heavy expenditures for imported petroleum, which account for 30 percent of the value of all imports, from 1975 to 1980 the balance of payments for the country steadily improved. Although imports exceeded exports for each of these years, the situation was ameliorated by the tourist industry, which produced a trade surplus in 1978 and 1979. Important also was the growing flow of foreign capital into the country, principally from private sources; it significantly improved the country's financial situation and increased its net international reserves. However, Uruguay still suffers from an immense external public debt and a rising level of debt service.¹¹

The substantial increase in nontraditional exports, like shoes, leather goods, clothing, textiles, and some other manufactured goods, has been important in the nation's balance of trade. From 1973 to 1977, the value of nontraditional exports rose 400 percent, increasing its share of the value of all exports from 11 percent to 57 percent during the same period.¹² Government revenues during the past six years have continued to rise faster than government expenditures; for the first time in decades Uruguay ended 1979 with a fiscal surplus.

The liberalized monetary policy adopted by the government has greatly stimulated the inflow of foreign capital, further stimulated by high interest rates, the free convertibility of currencies, and liberalized banking procedures. By 1977, almost 67 percent of all long-term bank deposits in the country were held in foreign currencies. These developments are consistent with the nation's long-term objective to turn Uruguay into a major financial and banking center for South America.

One objective of the new economic program that has not been reached is the reduction in inflation. Between 1975-1977 inflation averaged 55 percent annually; it was 46 percent in 1978, and 83 percent in 1979. The high inflation rates were due principally to increases in domestic demand as a result of the

(Continued on page 85)

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¹⁰Inter-American Development Bank (IDB), *Economic and Social Progress in Latin America: 1979* (Washington: Inter-American Development Bank, 1980), pp. 374-76.

¹¹*Ibid.*, pp. 380-81.

¹²Handelman, *op. cit.*, p. 256.

"In South America, military regimes are usually created at moments of conflict and crisis. Once the crisis fades, however, familiar political forces reassert themselves and challenge the government's single-minded pursuit of its own political vision. Argentina was a good example of this phenomenon in 1981."

The Argentine Revolution Falters

BY GARY W. WYNIA

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FOR most Argentines, 1981 was a disappointing year. The regime's first transition from one President to another, from General Jorge Videla to General Roberto Viola, was under way. In the year before Viola's inauguration in March, 1981, the military junta stressed policy continuity, in order to stifle uncertainty about shifts in course. The junta feared that rumors would undermine investor confidence and thus force the government to abandon its all-important economic program, which aimed at the creation of a stable and productive economy.

The junta's fears, it turned out, were justified, and no promise of policy continuity could avert the crisis. In early 1981, anticipation of the devaluation of the grossly overvalued Argentine peso touched off a surge of capital flight that forced the government to abandon one of its most stubbornly defended anti-inflation policies. In the first week of February, the flow of dollars from the country rose from \$50 million to \$280 million per day. Argentines witnessed four major currency devaluations, three runs on the peso, and two unscheduled bank holidays before conditions stabilized in mid-year. Moreover, by June, 1981, they found their economy in the midst of a recession, with inflation rising at an annual rate of over 100 percent (it had been 87 percent in 1980).

Although economists will debate the causes of the debacle for some time, a few facts are indisputable. In 1976, Minister of Economy José Martínez de Hoz developed a plan to balance the budget, cap the money supply, develop a flexible financial sector, and reduce excessive protectionist barriers; in short, he wanted to transform a highly regulated economy into an economy in which the market would decide most economic gains and losses. In December, 1978, the program entered its fifth phase. By maintaining a monthly devaluation rate below the level of domestic inflation (175 percent in 1978), domestic prices would be forced downward; that is, inflation would be reduced toward a rate equivalent to international inflation plus devaluation. Martínez de Hoz began by

announcing in advance a monthly devaluation rate along with predetermined rates of change in wages and public sector prices. Added to the package were gradual tariff reductions to encourage price competition from imports.¹

As promised, the real gross domestic product (GDP) grew by 6.8 percent in 1979, and inflation was reduced to 87 percent in 1980. But at the same time the overvalued peso and very high interest rates began to damage domestic industry. By reducing the cost of imported technology and driving out those firms unwilling to modernize and compete, tariff reductions and exchange policy were aimed at improving domestic productivity. It was expected that many inefficient small and medium-sized firms would go under; but the sudden bankruptcy of several large firms and the collapse of 60 financial institutions in 1980 and 1981 came as a surprise. In mid-1980, some measures were taken to deal with the banking problem, but speculation against the overvalued peso accelerated as the year ended, despite government declarations that no major devaluation was contemplated. Finally, in February, 1981, Martínez de Hoz backed down and announced a 10 percent devaluation. Although this action was aimed at halting speculation, it actually fueled speculation because 10 percent was inadequate.

General Viola faced two tasks when he took office in March, 1981. One was to design measures to deal with the foreign exchange crisis. Therefore, on March 31, he announced a 23 percent devaluation of the peso. The second task was to restore confidence in the government, especially among industrialists, bankers and farmers, who were disturbed by the events of 1980. The new administration had to convince entrepreneurs that their support of official policy was in their long-term self-interest. This was a difficult undertaking because, at the very moment Viola sought their support, many entrepreneurs were demanding immediate compensation for the losses they claimed to have suffered under recent government policies.

Initially, most industrialists supported Martínez de Hoz's program, even though some were threatened by the trade liberalization scheme. However, many later

¹For a summary of all five stages, see *Latin America Regional Reports-Southern Cone*, March 6, 1981.

became strident critics, not only because of the threat of foreign competition, but also because of the financial squeeze that resulted from official policy in 1980. They launched verbal assaults against the program and demanded the suspension of tariff liberalization and the creation of a more favorable financial policy.

In early 1981, farmers also became critical of the program. At first the ranks of the aggrieved were limited to the smaller, nontraditional sectors, like fruit and vegetable farmers who sold in the domestic market; but about the time Viola took office, they were joined by export-oriented farmers who were enraged by the government's decision to hold up the inevitable devaluations until the end of the harvest, when much of the grain crop had already been sold to exporters.

The protests of entrepreneurs, which would have been taken in stride by most civilian governments—or even viewed with satisfaction by income-transferring populist regimes—were a blow to the military, especially since they came during the first presidential transition. Between his selection by the junta in October and his inauguration six months later, Viola missed an opportunity to avert uncertainty. Either because of an agreement with the outgoing administration or because of his own timidity, Viola fueled the fires of speculation by refusing to name his Cabinet or comment on the growing crisis during the interim.

Once sworn in, Viola began to chart his cautious course with the reorganization of the Cabinet. Instead of placing all economic authority in one individual as Videla had done, he divided it among several ministers. Moreover, he deliberately selected some of his Cabinet secretaries from the economic sectors that had protested his predecessor's policies. The Ministry of Industry went to Eduardo Oxenford, a former president of the Industrial Union, Agriculture to Jorge Aguado of the farmers' CARBAP organization, Foreign Trade to a free trade economist, Carlos García Martínez, and to the Ministry of Economy he appointed economist Lorenzo Sigaut to act as moderator for the economic team. In so doing, he opened the presidential door to a level of influence by businessmen that Videla had not tolerated.

In making policy, Sigaut accompanied the devaluation of the peso with a promise to industrialists that tariffs would not be reduced below 43 percent. In late April, he warned Argentines that while it was easy to cast blame on Videla's exchange policy for deteriorating conditions, there were no quick or simple solutions. For the time being, the best that Sigaut could do

to placate unhappy industrialists was to provide \$5 billion in subsidized credit to help them deal with their short-term indebtedness.²

During the next six months, Cabinet debates among ministers representing competing economic interests were common and often intense. One of the losers in the disputes, Minister of Industry Eduardo Oxenford, resigned in mid-August, apparently unhappy about his colleagues' refusal to provide more assistance to industry.³ Oxenford's resignation, along with the continued protests of entrepreneurial groups, made it clear that Viola's new approach to Cabinet government had neither generated policy consensus nor satisfied his critics.

Sigaut was expected to announce a comprehensive program in August or September, 1981, but he did not. Instead, he outlined general objectives for the year ahead, emphasizing the need for improvement in the balance of trade, a reduction in the growth of public expenditures, the encouragement of foreign investment, and continued dedication to the goal of economic liberalization pursued by his predecessor. He projected a trade surplus of \$1.1 billion in 1981, a balance of payments deficit of \$2.6 billion, a decline in the GDP of 2 percent, and an inflation rate of around 108 percent. Most disturbing to economic liberals was a projected budget deficit of 5.7 percent of the GDP rather than the 2.9-percent target set at the first of the year.⁴

Inability to gain control over the public sector deficit has plagued all postwar Argentine Presidents, and the current military regime is no exception. At the end of his term as minister, Martínez de Hoz admitted that the size of public sector spending and the ability of vested military and civilian interests to block its reduction were the greatest obstacles to his program. According to recent World Bank studies, public consumption in Argentina rose to 24 percent of the GDP in 1980 from only 9 percent in 1960. This contrasts strikingly with Brazil (10 percent) and Mexico (12 percent), two countries known for their very large public sectors. Moreover, the annual rate of growth of public consumption and investment for the 1970-1979 period was 12.9 percent in Argentina, compared with 8.6 percent in Brazil and 10 percent in Mexico.⁵ Sigaut's credibility depends in great measure on whether he can alter this condition.

If economic conditions continue to deteriorate in 1982, compromise must be abandoned. Sooner or later the regime must choose between increasing regulation and subsidization at the risk of higher inflation or returning to the crusade to build a freer market in the face of intense criticism from vulnerable entrepreneurs.

In South America, military regimes are usually created at moments of conflict and crisis. Once the crisis fades, however, familiar political forces reassert

²Wall Street Journal, April 22, 1981.

³Latin America Weekly Report, August 28, 1981.

⁴Argentine Ministry of Economy, Treasury and Finance, *Economic Information on Argentina*, July-August, 1981.

⁵Cited in *Latin America Weekly Report*, July 1, 1981.

themselves and challenge the government's single-minded pursuit of its own political vision. Argentina was a good example of this phenomenon in 1981.

Political party leaders became active again. Actually, Videla had not banned parties, per se; instead, he prohibited their normal activities, allowing party directorates to exist without functions. Party conventions are still prohibited, but in 1981 party leaders held frequent "seminars" with regional and local activists. In June, the five largest political parties, led by the Peronists and Radicals, formed a *multipartidaria* (or common front) which called on the President to promulgate a new statute for political parties and an electoral law under which parties would compete.⁶

In November, the junta quietly issued its guidelines for a new political party law, giving all parties until February, 1982, to respond and promising to prepare a final draft in June. Among the items are a requirement that party leaders hold their positions for only three years and a prohibition against party ties with other civil organizations, like labor unions. As part of a plan to limit politics to a few moderate parties, the military wants to separate the Peronist party from the labor leadership. On the surface, the proposal appears naive and highly legalistic. Yet if the parties accept it, there will be a very gradual transition to civilian rule beginning with local elections; if local elections produce the desired results, provincial and eventually national elections will be held. However, officials have not set a timetable for the implementation of the plan. Instead, they keep political parties on a leash, if they can, by allowing them to participate at each stage only after they have demonstrated that they will follow the junta's rules.

Politicians acknowledge that they are not ready for elections now, but they still demand an official timetable for national elections in three or four years. For the moment, they must renew party organizations, select new leaders and develop appropriate platforms. The Peronists are trying to establish a chain of command to replace the hierarchy commanded by the late Juan Perón. Among the Peronists, moderates who are anxious to negotiate a timetable with the military differ with those who oppose the acceptance of any terms other than their own. Moderate Peronists seek a new democratic reformist image for the party; other Peronists are comfortable with the familiar symbols of nationalism and populism. With the death of Ricardo Balbín in September, the Radical party also lost a venerated leader. Although the party draws its strength from a fraternal bond among its members it is accustomed to Balbín's leadership and will find him difficult to replace.

⁶Other parties in the convocatoria were the *Desarollista*, the Christian Democrats, and the *Intransigentes*.

⁷*Buenos Aires Herald*, March 25, 1981; also see the series by Manfred Shonfeld in *La Prensa*, March 23-27, 1981.

In 1981, criticism of the military government also came from newspaper editors. Since 1976, editors have been cautious, confining their criticisms to the details of economic policy and the extremes of military repression. In late 1981, in contrast, they questioned the military's ability to govern the country. At various times, the widely read daily *La Prensa* challenged the military's national security doctrine and complained of mismanagement in the public sector. The English language *Buenos Aires Herald*, always more direct in its commentaries than other papers, concluded in March that the optimism of 1976 "had been replaced by a growing conviction that military rule, however attractive it may be in theory, is not the answer to Argentina's political and economic problems."⁷ Similar judgments were made in other journals, indicating disappointment among many of the regime's early supporters.

Viola's response to his critics has been more cautious than Videla's. Viola had three options: repression, admission of failure, or something between these two extremes. Within the military some preferred repression, fearing that toleration would allow critics to undermine the authority of the junta. Viola disagreed, apparently because many of his former supporters in the business elite were among his critics. To admit failure was also rejected, because the only alternative—immediate civilian rule—was unwelcome. (Although the junta had begun to talk with political parties, many issues were unresolved, ranging from party positions on future economic policy to the seldom discussed but very important possibility of retribution against officers involved in repression during the mid-1970's.)

Viola chose the middle way; without making major concessions to his critics, he offered to include entrepreneurial critics in his Cabinet and to include party leaders in discussions on the political transition. He gained greater flexibility and changed the way the authoritarian game was played. Thereafter, each interest group felt free to make its demands known to authorities and to criticize the authorities when their demands were not met. Expectations rose among economic groups and political parties; but disappointments intensified when it became clear that consultation did not always lead to concession.

LABOR

Organized labor remains a silent but critical force in Argentina. While some unions have been returned to their own leadership, the largest and most militant are still run by the state. Political activities by unions are prohibited by the new labor law and many social welfare operations of the General Confederation of Labor have been expropriated. The CGT exists in little more than name and has met with little success with its occasional call for general strikes.

Labor should not, however, be considered powerless. Grass-roots organizations that have been built and maintained over four decades remain, despite official pressures against them; the armed forces have created no institutions to replace them. If elections were held for public office today, most labor votes would still go to the Peronist party.

Of more immediate concern to the government is the response of the rank and file to increasing economic adversity. Sensitive to the power of labor, Martínez de Hoz was careful to adopt a gradualist approach to economic liberalization, avoiding the more drastic methods employed by his counterparts in Chile under Augusto Pinochet.* Although real wages dropped substantially in 1977 and 1978, near full employment prevailed and wages rose again in 1979 and 1980. Today, conditions have changed. Unemployment has reached 5 percent and is rising, and real wages are again in decline. Should this trend continue for long, the economic welfare of the working class would deteriorate substantially.

Does this mean a rise in labor unrest and confrontation with the regime? No simple answer can be given. Argentina, 1981, is not Argentina, 1973 or 1976. Although many of the same critics are still alive, their behavior has been conditioned by the chaos of 1976 and the brutal repression that followed. Peronist party and union leaders are more cautious, aware that they have a cause to defend but careful not to exploit current conditions to mobilize public protests that could provoke further repression.

Finally, there is the military itself. Solutions to the country's problems come no more easily to military officers than to civilians. Videla's strength in the army was bolstered because his close friend Roberto Viola was in command of the army. Viola, however, does not have the same relationship with the current army chief, General Leopoldo Galtieri, nor does he enjoy the advantage of leading a distraught people out of near civil war as Videla did. Consequently, Viola is less secure; he must spend more time and effort building and maintaining support of his policies among service commanders. During a mandatory evaluation of his presidency by the junta in October, 1981, Viola publicly identified his political strategy as a centrist one, placing it between the permanent autocracy model followed by General Juan Carlos Onganía in the late 1960's and the "rush to elections" approach associated with General Alejandro Lanusse in the early 1970's.⁸ It remains to be seen whether this position will satisfy his military colleagues if Viola takes concrete steps toward opening the political process to civilians.

After the junta's evaluation of Viola's performance

*See the article by Arturo Valenzuela on page 65ff. of this issue.

⁸*Latin America Weekly Report*, October 23, 1981.

in October, Argentines anxiously awaited the results. Instead, on November 22, 1981, the junta announced that Viola would temporarily hand over the presidency to Interior Minister General Horacio Liendo. The reason was not his performance, but his health. Before the junta's announcement, Viola was hospitalized for two weeks for observation of a cardiac ailment that he had suffered for some time.

But Viola did not return. Instead, on December 11, the junta announced that General Leopoldo Galtieri, army commander and junta member, would replace Viola and serve the remainder of his term which would expire in March, 1984. The reason given was Viola's health, but the motives were political. The junta and its supporters had lost confidence in Viola's leadership and sought a new commander for the nation. The resignation of several Cabinet ministers followed, giving Galtieri the freedom to create a government of his own.

As the year ended, Argentines were left to wonder whether the move over which they had no control represented a minor change in personnel or the beginning of a significant shift in the management of the nation's affairs. The answer to that question will come in 1982.

THE TIMERMAN AFFAIR

The human rights issue still haunts the Argentine government. Officers continue to debate whether or not to make public the names of the *desaparecidos*, the individuals who were seized and killed by security forces after 1976. Disappearances and cases of imprisonment are few today, although the government reserves the right to employ such measures against anyone that it considers a threat to its rule. For the moment, the government is willing to tolerate criticism so long as it is not directed at individual officers or does not lead to mass demonstrations. Thus Peronist party leaders can criticize the government economic policy in the press, but when a group of Peronists sang the party anthem at a soccer match in October they were arrested.

Viola hoped that the close of the administration of United States President Jimmy Carter would end United States activist human rights policies and would relieve Argentina of foreign criticism. The

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"It is perhaps an exaggeration, or perhaps mere rhetoric, but many Mexican social scientists believe that the next 20 years represent Mexico's last chance to create a more just, equal, flexible and pluralistic society within a democratic system."

Not by Oil Alone: The Outlook for Mexico

BY VICTOR L. URQUIDI

President, El Colegio de Mexico

THERE is much speculation today about Mexico's prospects in connection with its current oil boom. Given Mexico's large oil reserves, their geographic location and the world demand for petroleum products, many observers conclude simplistically that Mexico's development problems will be virtually solved; it is only a matter of time. Other, more pessimistic observers point to Mexico's intractable land tenure and farm production difficulties—the food deficit in particular—its deep-seated social inequalities, its relatively inefficient industry and its peculiar political system, serious drawbacks in achieving a higher standard of living for a still rapidly growing population. Can Mexico "make it" into the club of highly developed nations? Is this its last chance?

From 1950 to 1970 the gross domestic product (GDP) rose at an average annual rate of over 6 percent in real terms. Mexico was admired internationally, especially in World Bank circles, and foreign voices spoke of the "Mexican miracle." However, two Mexicos were created during this 20-year period. There was a technologically modern Mexico that was economically successful in its domestic market and occasionally successful in its export markets. But there was another Mexico which, although historically more important, lagged behind economically. This Mexico consisted of the majority of the population who lived on minuscule agricultural plots (either freehold or *ejido* peasant holdings). They did not benefit from the Green Revolution because the land lacked water and depended solely on irregular or insufficient rainfall. They were denied access to adequate transportation, to marketing facilities, and to farm loans, and were plagued by too many intermediaries.

At the same time, between 1950 and 1970, industrial output was concentrated in a few enterprises, including foreign-owned companies. Small and medium-sized manufacturing firms operated under unduly high costs and were neglected by government policy. They had insufficient access to bank credit and used little modern technology. Nor was the handicrafts sector able to develop sufficiently in response to the burgeoning tourist trade.

This dualism exacerbated the existing social inequalities and the disparity in income distribution. Nearly 10 percent of the population enjoyed 40 percent of the national income, while the lower 40 percent of the population earned barely 10 percent of the national income. There has been some improvement in the middle-income ranges, corresponding to a growing urban middle class, but the fact remains that poverty is rampant. So much for the "trickle down" process.

After 1960, there was notable financial development, as well as rapid economic growth. Inflation was held to a minimal mean rate of 3-4 percent per year. Savings were encouraged; public finance was wisely managed; and there was only moderate foreign indebtedness. Long-term foreign loans were used mainly for important development projects, including electricity and roads, agriculture and manufacturing.

Nevertheless, in the energy sector, the state-owned petroleum industry was unable to obtain much foreign financing for development. At the time, world financial circles were not yet in a position to forgive the 1938 nationalization of Mexican oil, and Mexico was not willing to accept foreign private investment in that area. The government did succeed in reallocating some resources. It requested loans for electrical energy, public works, agriculture and manufacturing, and assigned its own domestic resources to the petroleum industry, thus enabling it to grow. However, the oil industry's expansion was not sufficient, nor could it generate the savings necessary to invest heavily, as all large oil companies must, in exploration of new deposits, nor could it drill freely on land or offshore. Despite these handicaps, refining facilities grew; an important basic petrochemical industry was established; pipelines were built to transfer oil and natural gas to industrial centers; the manufacturing of chemical fertilizers was started; and the oil industry provided for a rapid expansion of electricity generation. In addition, hydroelectric resources were developed.

Manufacturing industries like iron and steel, paper and cellulose and chemicals expanded under a policy of import substitution. Toward the end of 1970's, import substitution possibilities were running out;

they were virtually exhausted with respect to consumer goods, although they had not run out for intermediate goods or for capital goods. However, there was no rigorous planning for industrial development; consequently, inequalities in the domestic market were not corrected. Furthermore, the rate of inflation had risen, making it difficult to continue "stabilizing development."

By 1970, the Mexican economy had been overcome by a structural crisis. During the administration of Luís Echeverría Álvarez (1970-1976), the imbalances and inequalities in productivity and income were felt more intensely. The underlying contradictions between the two—or more—Mexicos came to the surface. In 1970, it was also realized that despite the increasing number of children enrolled in the school system education had been neglected. Technical education was almost nonexistent, although there were some special schools and polytechnical institutes. There was no program for scientific and technological development. Malnutrition, disease and high mortality rates prevailed in the rural areas. The indigenous population, comprising several million inhabitants, often non-Spanish speaking, was left out of social programs and exploited economically. Rural development in general had been left far behind. Low-cost housing projects were notoriously insufficient.

To remedy these deficiencies, the Echeverría administration began a series of reforms in 1971.¹ Specific programs were developed to help overcome the crises in the areas of education and health, science and technology, housing and rural development and at the same time, strong impetus was given to the iron and steel, metal working and petrochemical industries. The automobile industry was expanded and transformed to include a larger proportion of domestically produced engines and parts, and labor was encouraged to become more productive. However, because of financial mismanagement and the stubborn and irrational maintenance of a fixed and increasingly overvalued exchange rate, by mid-1976 Mexico had reached the limits of its external indebtedness, inflation had flared, and confidence in the currency had declined. Political factors and rumors caused a flight of capital, forcing the government to devalue the peso by 46 percent in dollar terms, by means of what is called a "float."

A crisis had also been building in the oil sector. More or less self-sufficient in petroleum from 1960 to 1970, with marginal exports, Mexico became a net importer of oil in 1973, precisely when the interna-

tional price of oil increased by a factor of four to five. Efforts to regain self-sufficiency were mounted at a time when geological and drilling technologies had improved, and the new price of oil made it profitable to drill to deeper levels. On the basis of enormous newly proven deposits from 1972 to 1974, oil was extracted from new fields in the southeast. Toward the end of 1976, proven oil and gas reserves were stated to be 6 billion barrels, an insignificant amount on an international scale. However, shortly thereafter the figure jumped to 11 billion barrels and was certified by qualified international technical enterprises. The evidence from new surveys enabled *Petróleos Mexicanos* (PEMEX), the state oil monopoly, to announce that proven reserves were even higher.

Meanwhile, during the period of strong economic expansion beginning in 1950, the population grew at an inordinately high rate of 3.5 percent per year. By 1970, there were nearly 51 million inhabitants and the Mexico City metropolitan area included more than 20 percent of the total. Migration to the cities continued, and substantial international migration to the United States began.

Following the financial crisis of 1976—which was deeply rooted in economic, social and political causes—there was a period of consolidation that owed a great deal to the steep increase in oil production. Petroleum acted as an economic catalyst and became the principal tool for a new stage of development. Wells yielding 45 thousand barrels per day were drilled on the maritime shelf, and in several areas large gas deposits were also discovered. In 1980, an average output of 2.2 million barrels per day (mbd) was reached. Taking into account the expansion of domestic consumption, this left approximately 1.1 mbd available for export, 50 percent of which went to the United States. In early 1981, daily output increased an additional 15 percent.

As a result, Mexico's output of hydrocarbons is now of some international importance. For example, Mexico now produces more oil than Venezuela. Proven oil and gas reserves are estimated to be over 100 billion barrels. Mexico's potential capacity is estimated between 200 billion and 250 billion barrels, although figures are hypothetical until the necessary explorations are completed. On proven reserves alone, Mexico can confidently expect to produce and export oil well into the next century.

This petroleum base restored the necessary confidence to resume economic expansion, after the financial shock of 1976. The years 1976 and 1977 were critical. There was substantial inflation, unemployment did not decline, and GDP barely kept ahead of population growth. Nevertheless, from 1978 to 1979, and into 1980, the economy began to expand at a rapid pace, between 7 percent and 8 percent annually, and employment increased more rapidly than the

¹Political reform was also initiated between 1971 and 1976, involving greater representation in the Congress by minority parties, and programs for enlarged participation in social processes. This was an important component in the overall picture. (See *Current History*, November, 1981, for a fuller discussion of Mexico.)

population. In 1978, foreign exchange receipts from oil and gas totaled approximately \$2 billion. In 1980, the figure was nearly \$11 billion, and export earnings were expected to rise to between \$15 billion and \$16 billion, even allowing for the mid-year decline in oil prices.

Mexico does not want to become an oil country like the nations of the Middle East, which produce mainly to meet the needs of the world market. It aims to produce oil primarily for domestic development. It will also furnish foreign markets with oil, because oil is very profitable. Undoubtedly, Mexico needs foreign exchange to help solve its balance of payments problems and reduce the very high rate of external indebtedness incurred before 1976. The heavy investment required for the expansion of the petroleum industry has been financed in large part by foreign credit. In order to increase investments necessary in other sectors, Mexico continues to incur debt, but at a slower rate, in a roughly constant nominal amount. At the same time, fiscal resources deriving from petroleum and gas exports are channeled into the non-oil economy and into social sectors (education, health, rural improvement). Petroleum output was targeted officially at 2.75 mbd by 1982 but reached this level by the end of 1981.

Because petroleum is a nationalized industry, the increased output of petroleum has transferred financial resources directly to the public sector as tax revenue, strengthening the public sector's capacity, including state enterprises, to promote other industrial developments. Increased petroleum production has also a direct economic impact on the oil industry itself, through its purchases, wage payments and growing activities. This in turn has had a multiplier effect. Oil has contributed to maintaining the current account balance of payments deficit within a tolerable ratio to GDP, with the medium-term prospect of reducing or eliminating this deficit.

In 1979, public investment expanded by 18 percent in real terms and private investment, partly stimulated by this increase, rose at a similar rate. In 1980, the rates of growth were 17 percent and 15 percent, respectively. Large industrial projects are being implemented with Mexican capital and also with foreign capital from Japan, Sweden, Germany, France, the United States, Canada and others. Mexico is managing its oil sales by supplying the world market, and also by negotiating to obtain technology for important future developments. Oil exports are spread among 16 countries, including the nations of West Europe, Central America and the Caribbean, Canada, India, Japan, and Israel. By enlarging the industrial base with foreign technology, employment will have been created by the end of the century in non-oil activities and exports other than petroleum and gas will have been generated.

Unfortunately, this whole process has increased the already strong inflationary pressures. Part of the current 30 percent inflation rate is of international origin. For example, the industrial equipment that Mexico buys from foreign countries costs 20 percent, 30 percent or even 60 percent more than it did a few years ago. But there is also a direct, internal reason for inflation. Investment spending has increased, without generating sufficient domestic savings. Mexico suffers from a Keynesian inflationary gap. In addition, the public sector deficit is about 8 percent of GDP, clearly beyond a reasonable level. Moreover, some sectors of the Mexican population are spending at maximum rates. Consumption expenditures as a whole have been rising at about 5 percent per year in real terms. Those who receive additional income from the oil sector, or other groups enjoying a certain prosperity, like privileged blue and white-collar workers, the professional and technical middle class, the intermediary groups (mainly in wholesale and retail trade) and other high-income groups that have benefited from this whole process, simply spend more. Inflation has also encouraged anticipatory spending and has discouraged current savings. High interest rates from 30 percent to 40 percent for a bank borrower negatively affect small industry and create problems in agriculture and housing. High rates fuel the inflationary process and generate expectations that further accelerate inflation. For the holder of securities or the owner of 90-day deposits, the real rate of interest is zero or less.

Although employment has increased during the last three years, real wages, except for those of certain labor sectors that are strongly organized, have decreased. Wage increases have not offset the rise in the cost of living, although there is a system of subsidies and a wide range of fringe benefits available to lighten the burden of low-income families.

FOUNDATION FOR THE FUTURE

How will the "oil surplus" be utilized? This surplus may increase because the price of oil on the world market is assumed to continue to rise over the next decade or so. Mexico is not a member of the Organization of Petroleum Exporting Countries (OPEC), but PEMEX signs its oil delivery contracts at prices equivalent to those of OPEC, taking into account the characteristics of Mexican petroleum. Thus, there is likely to be a growing financial surplus that will be reflected in foreign currency receipts, fiscal income and in the generation of business savings in the entire economic system.

The government is in a position to manage a large part of this surplus. The formulation of the overall development plan and of various sectoral plans explicitly considers the surplus. These plans concern growth targets and mobilizing and reallocating finan-

cial and real resources. The goal is to achieve a medium and long-term growth of GDP by 8 percent per year in real terms. Such growth is expected to ensure a more rapid rise in employment, to correct the imbalances between sectors and to improve the distribution of income. For instance, an industrial plan sets out long-range objectives designed to stimulate large industrial projects; an employment plan envisages, on the basis of the steady expansion of the economy, the creation of more than two million new jobs between 1980 and 1982; the energy program (announced in November, 1980) foresees an integral development of the energy system, including coal and nuclear energy, with targets for 1990 and beyond; and the Mexican food system (adopted in 1980) lays down policies to resolve failures in the agricultural sector.

These programs are based on the assumption that the government can effectively reallocate real and financial resources. Several paths can be followed: one, investment in public infrastructure and in expansion of state-owned industry (which in Mexico includes, among others, important sectors like iron and steel and basic petrochemicals); two, transfer of resources through the state financing system, as well as through private banking, to encourage the private sector to invest in various major industries foreseen in the industrial plan and in small industry (in addition to the resources that the private sector may generate for its own expansion); and three, redirecting resources toward agriculture (crops and livestock). At the moment, the agricultural sector is going through a crisis arising, in part, from low price supports and from changes in the pattern of food consumption, creating a demand for soybeans, sorghum, oilseeds, and other feeds, at the expense of corn, beans, and wheat. Beef, pork, chicken and dairy products are consumed increasingly in the cities. Moreover, in the disadvantaged rural sectors it is very difficult to increase farm yields per acre. As a result, in 1980 Mexico imported 10 million tons of grains and other foodstuffs, including corn for human consumption, and another 6 million in 1981. Nearly 800,000 tons of sugar, a significant export a few years ago, were imported from Cuba in 1980 and 600,000 tons in 1981.

OIL FOR FOOD?

Critics of the government argue that Mexico is exchanging oil for food. The problem is not so simple, although petroleum provides the foreign currency to pay for food imports. Oil can also provide financial resources necessary to expand agricultural output. However, miracles cannot be performed in agriculture, and although there is currently an agriculture and food plan, the results will probably be limited and slow in coming. Besides, it should not be forgotten that every six years Mexico adds to its own population

the equivalent of one Venezuela. In addition, as incomes rise, the demand for food will continue to increase sharply, and social policy will tend to raise nutritional levels.

The agricultural plan is fundamental to correct the large imbalances and inequalities in Mexican society; 40 percent of the population still lives in rural areas, and there are 20 million people living in small villages, where average productivity and income are low. Despite programs developed as early as the administration of President Lázaro Cárdenas (1934-1940), surveys show that the living standards in some sectors of the Mexican countryside continue to be classified as extreme poverty.

The population policy adopted in 1973-1974 has been successful. With the aid of comprehensive family planning programs, it achieved a relatively rapid decline in the birth rate. The rate of population increase, which reached 3.6 percent in 1973, dropped to 2.6 percent by 1980; the goal for 1990 is an annual growth rate of 1 percent. This will require a substantial reduction in the fertility rate, but changing attitudes at the level of family and society are helping. (The Church is wisely not openly interfering.)

Additional resources from oil development will be required in the social sector, in education, housing and health. The housing deficit in urban areas alone is nearly 3 million units. The infant mortality rate, despite progress in health services, remains about 60 per thousand live births (about three times the rate of Panama).

At the moment, the industrialization process is not advancing at the rate anticipated under the industrial plan issued in 1979. In the current inflationary process, with continued spending pressures, some of the symptoms observed in Venezuela and other oil producing nations, and in countries experiencing a period of rapid economic expansion, are appearing; for instance, an acute shortage of human resources and an abundance of infrastructural bottlenecks. Mexico suffers from a lack of engineers, technicians and other skilled workers. Nevertheless, there is an overabundance of unskilled labor. There is also a shortage of transportation facilities, making it difficult for ships to unload the equipment and food they bring to the ports. Railroads and highway transportation systems are insufficient for the efficient distribution of products. Mexico is in a predicament that other oil-boom countries find themselves. Despite diversification and a fairly broad industrial base—a process begun in the

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BOOK REVIEWS

BOOKS ON LATIN AMERICA

By Mary M. Anderberg

Assistant Editor, *Current History*

THE POVERTY OF PROGRESS: LATIN AMERICA IN THE NINETEENTH CENTURY. By E. Bradford Burns. (Berkeley: University of California Press, 1981. 183 pages, preface, photographs, notes, statistical tables, glossary and index, \$12.95.)

Professor Burns views the 19th century in Latin America as a period of intense cultural conflict in which "Westernization triumphed over folk cultures." He offers his provocative study as a stimulus for a reappraisal of standard views of 19th century Latin America and asks the reader "to consider the possibility that folk societies and cultures derived from Ibero-Afro-Indian experiences might have provided life-style alternatives more advantageous to the masses than the Europeanized modernization imposed on them."

The Latin American elites who directed the course of events in the 19th century were advocates of progress along the lines of English, French and United States models. Their ideology was based on three major European philosophies: (1) the Enlightenment, which stressed the vincibility of ignorance and the belief that people who had the chance would choose civilization over barbarism; (2) Darwin's and Spencer's ideas of evolution; and (3) Comte's positivism and the attainment of progress.

The Argentine intellectuals known as the Generation of 1837 were formidable propagandists of the ideology of progress. Burns believes that Argentina, and much of Latin America, still suffers from the results of the application of their theories, particularly their elitist political belief that the intelligent would govern for the benefit of the nation, and their equation of the countryside with barbarism and the city with civilization. Many members of the Generation of 1837 believed that the countryside was not redeemable. Others adopted 19th century European theories of racial superiority and saw the need to cleanse their racially mixed populations with European blood. Brazilian intellectuals, also, were convinced of the need to substitute stronger European genes for weaker Indian and African genes.

By the end of the 19th century the Brazilian Indians had retreated into the interior and the Argentine government had embarked on a policy to clear the pampas of Indians. The massacre of the Indians in Argentina, as in the United States, opened up vast tracts of land for development, but in Argentina the lands fell into the hands of the rich

hacienda owners, and instead of contributing to a healthy economic development, the new owners strengthened the export sector of the economy and deepened Argentine dependency.

In the nations with large Indian populations—Bolivia, Ecuador, Guatemala, Mexico, Paraguay and Peru—the disdain of the native population for Europeanization only intensified the prejudices of the elites; as Burns points out, the government and the landowners felt justified in forcing the Indians to labor for them because the Indians would thus be exposed to the benefits of civilization.

The Central Americans were somewhat more optimistic about the prospects for civilizing Indian communities. At a conference at Guatemala City in 1893, it was suggested that perhaps the first way to help the Indians would be to restore their lands. Of course, nothing came of the suggestion.

Throughout Latin America, the elites were able to impose their policies of progress by modernization. Their first concern was to establish order, so that they could obtain the foreign loans, investments, technology and immigration required to support their goals. Their governments supported commercial agriculture and mining so they could use export earnings to finance improved communications and transportation and stimulate commerce.

But the strengthening of export economies was dangerous because it deepened dependency. While profits were produced for the elites, allowing them to purchase imports necessary for their European lifestyle, the majority of the population received no benefits from what the author calls "cosmetic progress." Instead, the vast majority became increasingly dependent and impoverished. Thus insurrection was common in the 19th century as Indians and blacks struggled to resist exploitation and to regain their lands.

Traditional historians viewed the 19th century as "a century of random conflicts, meaningless civil wars, and pervasive chaos," Burns writes. But he suggests that the views of the revisionist historians, either those who question the extent of the economic growth that took place during the century or those who blame modernization for reinforcing negative aspects of institutions inherited from colonial times, may offer a more meaningful insight into contemporary conflicts and problems in the area.

As an example of the detrimental effect of "progress" on the society, Burns cites the railroads. The Latin American elites and their intellectual mentors believed that the railroads were essential for progress. In Europe, the railroads linked "raw

products, factories and consumers in a tight network," but in Latin America they had the opposite effect. For the most part, they were foreign built and owned and were designed to carry food, ore and other resources to ports for export, thus fulfilling the needs of North Atlantic economies rather than Latin American. Moreover, wherever the railroads reached they encouraged the expansion of the *latifundia*, as they made marginal land valuable. The peasants who had been tolerated on marginal land by the estate owner were subsequently driven off the marginal lands. Later, some were incorporated in the estate's work force; others became migrant workers. Commercial agriculture replaced subsistence farming, and food supplies declined. Localities formerly self-sufficient in food supply became dependent on food imports.

Burns concludes that by critically examining the results of modernization we gain an insight into a "major enigma of Latin America: prevalent poverty in a potentially wealthy region." He believes that "the triumph of progress" as defined by the elites in the 19th century has "bequeathed a legacy of mass poverty and . . . conflict" for the 20th century.

IMMIGRANTS ON THE LAND: COFFEE AND SOCIETY IN SAO PAULO, 1886-1934. By Thomas H. Holloway. (Chapel Hill, N.C.: The University of North Carolina Press, 1980. 218 pages, preface, maps, charts, illustrations, appendices, notes, bibliography and index, \$21.00).

By 1830, coffee had replaced sugar as Brazil's most important export crop. Fifty years later, the demand for coffee had grown enormously among the prosperous workers and middle class of the industrialized countries of West Europe and North America. Brazilian coffee growers were anxious to profit, but the expansion of coffee growing into frontier areas was limited by inadequate transportation and a labor shortage. Transporting coffee from the frontier to the coast took three weeks by mule train. The extension of the railroads in the state of São Paulo allowed new frontier areas to be brought into coffee cultivation.

In his comprehensive study of immigrant labor in São Paulo from 1880 to the great depression, Thomas Holloway deals with the recruiting, screening, processing and distribution of the immigrant workers, the evolution of the "colono contract system," which regulated the relationship of the imported worker or colono and the plantation worker, the fluctuation of money wages during the period, the debt relationship of colonos and planters and the living and working conditions of the immigrant.

The condition of the colonos derived from the fact that in the contract system it was usual for the colono to receive partial payment for his labor in

usufruct of plantation land. Allowing the colonos to food crop and access to pasturage meant the immigrants could feed themselves and sometimes sell surplus crops. Thrifty, industrious families were able to accumulate savings, and because land was plentiful on the frontier, they were eventually able to purchase land and become independent.

In comparing the lot of the laborers on the frontier coffee plantations in the period covered by his study and the lot of coffee plantation laborers the author states:

Today much of the coffee in northern Paraná state, the new coffee frontier, is produced by small and medium-sized farms in a dependent relationship to the owners of processing plants in regional towns. In the 1950's minimum wage and social welfare legislation finally penetrated the São Paulo coffee zone, and workers suffered instead of gaining. . . . Today . . . most work is done by gangs of women who leave their children in the shacks of suburban slums before dawn, ride a jolting truck to the fields, and return after dark with a meager wage paid by their employer—the labor contractor who owns the truck. The modern planter deals with the owner of the truck, has few employees on his own payroll, and is little bothered by minimum wage laws.

MILITARY GOVERNMENT AND THE MOVEMENT TOWARD DEMOCRACY IN SOUTH AMERICA. Edited by Howard Handelman and Thomas G. Sanders. (Bloomington: Indiana University Press, 1981. 388 pages, introduction, notes, selected English-language bibliography, \$29.95, cloth; \$10.95, paper.)

In the introduction to their study of the military regimes of Ecuador, Peru, Brazil, Uruguay and Chile, Howard Handelman and Thomas G. Sanders describe the late 1960's and early 1970's as "a period of great disillusionment" both for reformers and for radicals who hoped for development and change in the region. "Military regimes—often harshly authoritarian—swept the hemisphere." But by the mid-1970's the military governments proved to be as shaky as their predecessors and were no more able to deal with economic problems.

The chapters on Ecuador describe its political instability and the features of its military governments. Ecuador's military governments of the 1960's and 1970's were allied with technocrats and directed toward social change, but in reality they were divided in purpose and inefficient.

Income from Ecuador's petroleum and favorable prices from other exports resulted in an expansion of industry and commerce between 1973 and 1977, but unequal benefits flowed from economic growth. Sanders identifies as the beneficiaries the armed forces, who "clearly have profited through equipment, increased salaries, and the opportunity for

officials to hold high government jobs and receive kickbacks on contracts"; foreign and domestic businessmen; the expanded bureaucracy and unionized urban and farm workers. The underemployed urban workers and the vast majority of Ecuador's rural laborers continue to live a subsistence existence. Over half of Ecuador's work force is engaged in farming.

The articles on Peru indicate that by 1978 the Peruvian people were completely disillusioned with the radical military regime that seized power from the Belaúnde Terry government in 1968. Some causes for the failure of the military revolution are outlined, including decreased investment because of the regime's policies, incompetence, inconsistent policies, nepotism, and factors beyond the control of the government: the collapse of sugar and coffee prices after 1974, and a drop in the anchovy fish meal catch as a result of the shifting of the Humboldt current. With the country in a deep economic crisis, the electorate voted to return Belaúnde to the presidency. Howard Handelman is not optimistic about the ability of the Belaúnde government to improve the economic situation.

Part of the section on Brazil deals with the policy of decompression—the move to restore democratic procedures. Sanders reminds the reader that authoritarians rarely surrender power willingly. The process of decompression in Brazil has been slow, but it has remained on course; and Brazil has become more open and politically vital. The results of the movement for amnesty are also considered, and the strengths of important organizations, other than the political parties, are evaluated.

Handelman describes the reasons for the fall of Uruguayan democracy as the country's negative economic growth, unemployment, staggering inflation, labor-management conflict, Tupamaros terrorism and government inefficiency and corruption. The military leaders who seized power had no political experience and various factions supported divergent political ideas. The military felt uneasy with the problems of economics and foreign policy and, therefore, allowed civilians and technocrats to direct policy in these areas. The military steadfastly maintained the fiction that no coup had taken place, but, in effect, they held all the power, and the regime they set up could be described as a civil-military dictatorship.

The military were less interested in dealing with socioeconomic problems than in rooting out subversion. "By mid-1976, Amnesty International estimated that over 50,000 people—one of every 30 Uruguayans—had suffered interrogation or imprisonment."

To manage economic policy the military chose for their finance minister Alejandro Vegh Villegas,

a Harvard-trained engineer and economist who had close ties to the international banking community and was an admirer of Brazil's bureaucratic-authoritarian development model and of Milton Friedman's "Chicago School" philosophy. Vegh's policies and those of his successor, Arismendi, called for the dismantling of government regulations and controls, the return of government enterprises to the private sector, elimination of personal income and inheritance taxes, lowering corporate taxes, lifting import restrictions, price controls and government restrictions on credit, and instituting vigorous budget cuts. Because the finance ministers were unable to touch the military-internal security expenditures, the budget cuts were mostly imposed on social services.

Chile's military coup in 1973 transformed the country from "Latin America's most lively democracy into one of its most repressive regimes." As in Uruguay, the Chilean military regime had to enlist civilian expertise. Sanders describes how the military and the civilians formulated an ideology largely influenced by integralism, and an economic policy based on the theories of Milton Friedman. As in Uruguay, economic reforms took a heavy toll of the spending power of the poor and wage earners.

An article on the Catholic church in Chile examines its role in the period before Allende, during the Allende regime and under the military.

Reviewing prospects for the future, Sanders finds the economic and political outlook discouraging. He believes the continuing polarization of Chilean society "undermines hope for an authentic national reconciliation."

CUBAN COMMUNISM, 4th ed. *Edited by Irving Louis Horowitz*. (New Brunswick, N.J.: Transaction Books, 1981. 688 pages, introduction and list of contributors, \$9.95 paperback.)

Most of the articles selected by Horowitz for the fourth edition of his compendium of essays on the Cuban Revolution were written during the late 1970's. Only one article from the original edition (1970) is included in this volume, which presents the work of a younger generation of scholars.

STRUGGLE FOR HEGEMONY IN SOUTH AMERICA: ARGENTINA, BRAZIL AND THE UNITED STATES DURING THE SECOND WORLD WAR. *By Gary Frank*. (Miami: Center for Advanced International Studies, University of Miami, 1979. 116 pages, preface, notes, bibliography and index, \$4.95.)

In this monograph, Gary Frank demonstrates how United States military aid to Brazil during World War II changed the balance of power in South America. ■

THE STRUGGLE FOR NORMALCY IN URUGUAY

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shortfall in production of some food products, the rapid increase in credit due in part to rising costs of imports, the elimination of rent controls, and heavy demand from foreign tourists for relatively inexpensive Uruguayan products.¹³

The cost of improving the aggregate economic performance has been a steady decline in general living standards for the middle and working classes. Common estimates of the actual decline in living standards from the late 1960's to the late 1970's are about 50 percent. Another cost of the program is an abnormally high level of unemployment. Estimates of unemployment (and they are only that) range from 10 to 15 percent of the workforce. But even that figure masks the high levels of underemployment in the economy.

For many Uruguayans the generally bleak economic picture has stimulated mass emigration, particularly to Argentina and Brazil. Although there are no statistics, estimates place about 500,000 Uruguayans outside the country. If these estimates are reasonably accurate, it means that almost 17 percent of the population has emigrated. The situation is even more ominous because the emigration has been selective; emigrants tend to be younger and better educated, with skills that are in demand elsewhere, leaving in Uruguay the old, the poor, and the less skilled.

The new economic policies are also creating wider gaps in the relative living standards of the nation. Despite Uruguay's reputation as a moderately affluent nation without the severe class differences that characterize most other Latin American nations, there have always been inequalities built into the economic structure. In the rural areas, for example, less than five percent of the landowners control 50 percent of the land. Changes in the tax structures on personal income and the failure of salaried incomes to keep pace with high inflation have exacerbated class cleavages.

Because of its dependence on petroleum imports, Uruguay has made a major commitment to develop hydroelectric power as quickly as possible. Several major projects, some of them bilateral (including such new plants as the Salto Grande, El Palmer, Paso Centurion, and the Gonzalez Islands), are in the final stages of negotiation and planning. The completion of these projects will substantially reduce the level of petroleum imports now used to generate electricity.

Several other major programs are being im-

plemented to improve the country's economy. Besides the continued priority given to nontraditional exports, Uruguay has announced plans to revitalize its agrarian sector through a reform of land tax laws and new credits for agricultural modernization. It has also announced plans to introduce a Uniform Customs Tax (IMADUNI) that would reduce import taxes across the board to a uniform level of 35 percent by 1985.¹⁴

The government is also considering a proposal to encourage so-called "off-shore" banking activities in Uruguay, which would further stimulate the flow of foreign private capital to the country and expand the relative contribution of the banking industry to the national economy. The proposal would free deposits in such accounts from national taxes and would guarantee the free flow of such funds in and out of the country. The idea of converting Uruguay into an international financial center for the region is curiously reminiscent of the vague allusion to Uruguay as the "Switzerland of South America."

Negotiations are being conducted between Uruguay and Argentina to transform Montevideo into a free port for Argentine commerce. The Argentine port of Buenos Aires is outmoded and requires extensive renovation; the natural advantages of Montevideo as an alternative are attractive to Argentina. For Uruguay, such an arrangement would strengthen the nation's economy through investment in its port facilities and the commerce generated there. Other forms of economic coordination would probably be tied to such an arrangement. The prospect of a greater integration of the Uruguayan and Argentine economies, of course, may ultimately threaten the Brazilians, who historically regard Uruguay as a neutral land between their country and Argentina. Undoubtedly, efforts to increase the Brazilian presence in Uruguay will follow. At least in the short run, the principal beneficiary of such competitive arrangements would be Uruguay.

CONCLUSION

Despite the military's determination to revitalize Uruguay's economy and its partial success, the radical policies initiated by Vegh have divided the military and created considerable hostility within the civilian economic elites and the population as a whole. The consistent theme of the regime and its policies has been "transition," and even the new presidency of General Alvarez has been characterized as transitional by the military leaders and their puppet institutions. But the question remains, transition to what? The proposed constitutional draft clearly established an ongoing, permanent role for the military, a role that virtually guaranteed the military a veto over national policies and elected officials. The suspicion, hostility, and harassment of traditional party leaders

¹³IDB, *op. cit.*, pp. 379-80.

¹⁴*Ibid.*, p. 379.

by the military suggest that it does not want a return of old-style politics, but a clear and practical alternative has so far proved elusive. Uruguay will not return to political "normalcy" until those in charge agree on a generally acceptable definition of that term. ■

POLITICAL INSTABILITY IN CENTRAL AMERICA

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social reforms and succeeds in curbing officially sanctioned violence, the masses, particularly the Indian masses, will continue to be mobilized by the radical left. If, however, those reforms are successful, the well-armed right will only intensify its violent tactics.

It is hard to imagine how the March legislative elections in El Salvador (if, in fact, they are held) can solve the conflict there. The democratic parties of the left will probably boycott the elections because of fear of physical reprisal by the military and because the government controls the electoral machinery. Furthermore, the real power of the left is in the hands of the guerrilla groups and mass organizations, which will probably not accept any result that does not shift power in their direction. On the other hand, even the more moderate business-backed political groups are calling for a reversal of the social reforms of the Duarte government and the imposition of a military solution.¹⁰ A freewheeling electoral contest will magnify the differences that already separate the centrist Christian Democrats from their potential allies of the moderate left (Social Democrats and Social Christians) and right (traditional conservatives and the more progressive business groups). However, unless direct negotiations under the aegis of a group of international mediators take place, the only alternative to elections is a continuation of the military stalemate.

Nicaragua, which gives every indication of moving further to the left (as evidenced by the arrests in October, 1981, of liberal businessmen on charges of economic sabotage), will undoubtedly, with the help of Cuba, continue to foment insurrection in the region.

The United States must adjust its policies to the fact that a major political change has taken place in Central America. Throughout the 1940's, 1950's and 1960's, American business and government officials dealt only with a narrow stratum of political elites who operated out of the modernized urban centers of the Central American states. These elites embraced political and social values shared by their North American counterparts; in most instances, they were

able to contain serious threats to their position from lower income groups. At that time, the United States plan to foster economic development as a means of producing political stability might have succeeded.

This situation no longer exists. Central America's urban elites are now a beleaguered minority besieged by increasingly well-organized and well-armed lower-class groups demanding substantial changes in the economic, political and social structures of their nations. They insist that economic redistribution must be added to economic development on the national agenda. These groups have substantial external support from both the Communist and Social Democratic governments of Europe and Latin America. They also have a potential source of economic assistance from the oil rich "rejectionist" regimes of the Arab world. Thus, while United States power may successfully stem the tide for a while, the demands of the Central American masses for social justice and political participation cannot be choked off forever.

The current ferment in Central America raises a number of questions for the United States. First, to what lengths is the United States prepared to go to attempt to reverse the social and political trends in Central America? Is the United States prepared to provide the kind of economic aid that may be required over the next decade to enable reformist elements in these countries to work toward stability by satisfying the minimal human needs of their countrymen? Is it possible for the United States to separate its legitimate security interests in the area from its desire to deal with democratic, capitalistic states? Can the United States live with regimes that articulate leftist rhetoric but pose no overwhelming threat to the military balance of power in the Caribbean? How the United States answers these questions will affect the future course of events in Central America. ■

BRAZIL: THE DIMENSIONS OF DEMOCRATIZATION

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forts to normalize relations that have been strained since President Jimmy Carter attempted to pressure Brazil in regard to its suppression of human rights. Motley stated that "abertura is a question of internal Brazilian policy," commenting no further on the matter.¹²

Changing world conditions have encouraged Brazil to seek a new international posture, especially with reference to the Middle East and Africa. Previous difficulties in raising loan funds on the Euromarket, attributed to what some observers termed the "over-exposure" of Brazilian banks, have been offset by the

¹⁰"Salvadoran Right Slams Door on Peaceful Solution," *Latin America Regional Report: Mexico and Central America*, October 23, 1981.

¹²*Veja*, September 30, 1981, p. 32. See also *Miami Herald*, October 16, 1981, p. 14A.

greater participation of Arab financial institutions in the loan market.¹³ In turn, Brazil has moved closer to third world interests in general and to the rejectionist Arab position in particular. *Itamarati*, the Brazilian Foreign Ministry, has launched a major drive for trade and influence among developing nations in countries as diverse as Iraq, Zimbabwe and Senegal. African trade with Brazil has grown sixfold since 1970; in 1981, Brazil traded more with Portuguese-speaking Angola than with its Spanish-speaking neighbor, Peru.¹⁴

As far as the Arab world is concerned, Brazil is still dependent on Arab oil despite recent gains in domestic energy production; it voted with other third world countries in the United Nations to condemn Zionism as racism and seems headed toward recognition of the Palestine Liberation Organization. Groups favoring the Palestinian cause in Brazil, at the same time, have dramatically changed their tactics, abandoning their initial low-profile stance in favor of direct appeals for support. Souheil Sayegh, president of the Federation of Brazilian-Arab-Palestinian Organizations, signed his name to a statement circulated among radical Arab-Brazilian groups praising the assassination of Egyptian President Anwar Sadat. The PLO sponsored a presentation at the Third International Theater Festival in São Bernardo do Campo, São Paulo, featuring battle-clad youths dressed as guerrilla fighters, carrying machine guns and mortars, and holding banners attacking "International Zionism."¹⁵ Although it was atypical of Arab-Jewish relations in Brazil, which have historically been friendly, the event illustrates the consequences of Brazil's new relationship with the PLO.

NEW DIRECTIONS

"Lula," Luis Inácio da Silva, symbolized the changing conditions of Brazil in the 1980's. As a labor militant, Lula proved too dangerous for even the moderate Golbery-Figueiredo faction, and he remained relatively cut off from political activity by virtue of his appealed sentence for inciting workers to disobey the law.

What Lula represented was a fresh new force within Brazilian political life. A genuine spokesman for the working class—like Poland's Lech Walesa, who serves him as a kind of model—he rose from the ranks of the industrial labor force. In 1981, Lula's Labor party (PT) so threatened other sectors of the Brazilian left that the clandestine Communist party saw fit to ally itself with parties of the center to keep the PT from

making greater inroads among the politically aware citizenry. The PT, which is non-ideological and vaguely aligned with the European Social Democracy movement of François Mitterrand and others, has forged links with the progressive wing of the Catholic Church and with white and blue-collar groups.

When Lula was placed under arrest early in 1981 for violating the National Security Law, foreign observers commented that even in Communist Poland opposition labor leaders were permitted to speak, but not in fiercely anti-Communist Brazil.¹⁶ The anomaly points up some of the contradictions of Brazilian life under the 1964 revolution. At the same time, the Brazilian "model" of abertura has proved to be resilient, flexible and stubborn. It is upon that basis that observers looked back on 1981 with relief and some gratefulness. ■

THE ARGENTINE REVOLUTION FALTERS

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administration of President Ronald Reagan was warmly received by Viola, and Viola was similarly received by President Reagan when he visited the United States just before his inauguration. President Reagan is anxious to recruit Argentine support for his anti-Communist crusade in the Western Hemisphere and has promised not to make human rights a public issue. Little else of substance has changed between the United States and Argentina.

The Reagan administration's new friendship with the Argentines did not keep the human rights problem out of the headlines for long. In late April, 1981, Americans were reminded of the travails of many Argentines by Jacobo Timerman, an exiled newspaper editor who published a moving personal odyssey of his imprisonment and torture by the Videla government. The Timerman account raised a host of questions about the ends and means of military rule in a civilized Western nation, whose leaders justify their brutal actions as necessary to preserve civilization itself.⁹

The book sparked two separate but related controversies in the United States. One was controversy focused on the issue of human rights and the Reagan administration's attitude toward human rights. President Reagan had nominated Ernest Lefever, an outspoken critic of President Carter's activist policy, for the human rights post in the State Department. Opponents of the administration seized on the publication of Timerman's book and his visit to the Lefever confirmation hearings in June to focus attention on the human rights issue and mobilize enough con-

¹³*Latin American Regional Report*, September 11, 1981, p. 8.

¹⁴*Foreign Policy*, no. 44 (fall, 1981), pp. 177-179.

¹⁵Magali Boguchwal, "Façanhas da OLP em Prosa e Dança," *Resenha Judaica* (São Paulo), no. 278 (September, 1981), p. 1.

¹⁶See *The Times* (London), March 24, 1981, p. 6.

⁹*New Yorker*, April 20, 1981. The book is entitled: *Prisoner Without a Name, Cell Without a Number* (New York: Alfred Knopf, 1981).

gressional opposition to block the Lefever appointment.¹⁰

The second controversy arose primarily in the American Jewish community. Timerman indicted the Argentine military not only for its repression but also for the anti-Semitism demonstrated by his captors. He argued that imprisoned Jews were singled out by their jailers for especially harsh treatment and said that the military court had justified his incarceration and torture because of his affiliation with Zionist organizations. Some American-Jewish intellectuals and leaders and many non-Jews saw a clear issue: neo-Nazism was alive and thriving in Argentina. Others in Argentina and the United States claimed that the charges were exaggerated.¹¹

In the Argentine-Jewish community, the issue was more complex. Had Timerman been an accepted figure within the community at the time of his capture, Argentine response to his fate might have been different. Argentine Jews deplore what their government did to Timerman and are aware of anti-Semitism in Argentina's military. Yet, many Argentine Jews and non-Jews argued that Timerman's plight was as much the result of the way he played politics as it was an act of anti-Semitism. Timerman was the innovative and politically clever editor of *La Opinion*, one of Latin America's best newspapers in the early 1970's. He developed personal relationships with most of the players in Argentine politics, from military officers to labor leaders. This was one of his great strengths as a journalist; it also earned him (as it does most aggressive journalists) little personal affection and much distrust. When his book was published, few Argentines denied his charges. Yet leaders of the Jewish community refused to make him the symbol of a cause.

Regardless of where Argentines stood on Timerman, within the United States he personalized the plight of the victims of autocratic rule. Labels for governments can be debated, but the facts of political repression cannot. The issue, moreover, does not disappear with a change in Presidents. As Timerman reminded Americans, repression persists and so must thoughtful responses to it wherever it is found. ■

¹⁰After failing to secure confirmation, Lefever was appointed to a State Department post not requiring confirmation.

¹¹An example of such arguments is the review of the Timerman book by Alfred Kazin, *New Republic*, July 20, 1981.

EIGHT YEARS OF MILITARY RULE IN CHILE

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tinues to struggle with the divisions that led to the 1973 breakdown of democracy. The democratic socialist groups finally seem to be uniting their

fragmented movement, and dialogue is possible with the Christian Democrats. But a centrist alternative that would include a majority of the opposition is still to be worked out.

This does not mean, however, that important government changes may not take place. Among the most vocal critics of the economic policies of the Chicago Boys are Pinochet's right-wing nationalist supporters. With supporters in the armed forces, they desire a more authoritarian political system for the long term (rejecting many features of the new constitution) and a more statist economic policy. Because of current economic difficulties, they seem to be gaining ground quickly. Pinochet is known to be angry with the big business groups who are being blamed for ruining the economic model. In late 1981, rumors were rife in Santiago that Pinochet would appoint Pablo Rodriguez of *Patria y Libertad* as Minister of the Interior.

Should the nationalists displace the neo-liberals of the economic experiment, repression is likely to increase, with the democratic parties as the principal targets. The nationalists (or *duros*) hold that the government will be in trouble if it does not embark soon on a massive effort to mobilize a "civic-military movement," a political party of the government to rival and undermine the others. In the economic sphere, the nationalists would reverse most of the free market policies of the last few years—emphasizing state control over major industries and protectionist policies for the national economy as well as populist social measures to alleviate poverty and gain political support. They would thus move against the economic groups who have managed to gain control of the economy.

Such a shift would not only destroy the economic model but might alienate important sectors in big business—isolating the regime further. This could provide an opening toward the opposition, particularly toward the Christian Democratic party, of business groups who so far have accepted and benefited from government policies. This, in turn, would put great pressure on the military itself, which would be less inclined than its rightist civilian allies to respond by mobilizing popular support for its cause. Political difficulties added to economic difficulties make the prospects of another 16 years of military rule less likely. ■

CHANGING UNITED STATES POLICY IN LATIN AMERICA

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late to apply its "containment" policy to Nicaragua; assuming that it were able, it does not seem to be willing to turn back the clock and return a Somoza-like group to power. In reality, current United States

policymakers are apparently continuing the Carter administration policy of limiting the damage that those in control of Nicaragua can do to United States interests in the country and among its immediate neighbors. The Reagan administration has been more forceful and decisive in pressuring the Nicaraguan government and the Sandinist leadership to retain traditional freedoms and personal guarantees, as well as in discouraging them from moving in the direction of greater state ownership and control of the economy. The pressures applied by the Reagan administration may be counterproductive with regard to the broader United States aim of keeping Nicaragua away from the Communist bloc. But it is reasonable to assume that friendly relations with Cuba and the inflow of assistance provided by Cuban leader Fidel Castro may have been unavoidable.

More recently and as a response to American actions, the Nicaraguan ruling elite has increased its contacts with the Soviet Union and other Communist countries; no one really knows if such contacts were unavoidable. Nevertheless, in view of the pressures and hostile statements originating from Washington and in view of the presence of former members of the Somoza military and security apparatus near the Nicaraguan borders, informed observers see a cause-and-effect relationship.

The Reagan administration's support for conservative elements in El Salvador and elsewhere in Latin America and its hostility toward the Nicaraguan and Cuban regimes are likely to revive a long-dormant discussion on the true nature of the threat to American interests in Latin America. Does any anti-status quo group threaten American interests? Or are American interests threatened mostly by groups allied or in sympathy with the Soviet Union? American pronouncements under Ronald Reagan's leadership appear to have the second category in mind, since pro-Soviet groups are most likely to internationalize domestic conflicts in terms of East and West. American actions, on the other hand, appear to be directed toward all anti-status quo groups, regardless of their ties with the Soviet Union. The Reagan administration has applied pressure against the Nicaraguan authorities although no claims have been made that they are moving toward the Soviet bloc; the only charge made by the United States was that Nicaraguans were serving as a pass-through for Cuban and Eastern bloc weapons and supplies destined for the Furibundo Marti guerrillas. These guerrillas were accused of having ties with Cuba, which they probably do, but the charges of their connections with other Communist nations have been seriously questioned by independent observers and rejected by the guerrillas.

The Nicaraguan elite may have allowed the transfer of weapons through their territory, but it must be

remembered that the Salvadoran guerrillas provided major support to the Sandinists when the latter were fighting Somoza. Thus, whatever material the Furibundo Marti organization received from Nicaragua, it may well have been in the nature of a local payoff and had little to do with the struggle for power between the United States and the Soviet Union. In any case, recent reports indicate that Nicaragua has ceased acting as a conduit for weapons and supplies destined for the Furibundo Marti guerrillas; yet the administration pressure on them has not diminished.

United States hostility toward the government of Nicaragua and the Salvadoran guerrillas must be contrasted with United States efforts to improve relations with the military regime that has governed Argentina since 1976. This regime had substantial disagreements with the Carter administration because of human rights violations during Argentina's counterinsurgency operations and its continuing refusal to accept nuclear nonproliferation safeguards. What is not widely known is that the Argentine Communist party supports the military regime (it is one of the few political parties that does so) and that in the last few years the Soviet Union has become one of that country's best customers. While this change in the direction of Argentine exports was caused in part by the American grain embargo, it is not likely to disappear just because American policy on grain exports to the Soviet Union has been reversed.

It is not being suggested here that Argentina's military elite is moving closer to the East ideologically or even practically: Argentina's nuclear policy runs counter to the policies of both the United States and the Soviet Union; and the Argentine military government would find it difficult to discourage the support of its Communist party. But it could be argued that, in terms of the East-West struggle for power, Argentina is in many ways today closer to the Eastern bloc than Nicaragua or the Salvadoran guerrillas. If the Reagan administration wants to develop a Latin American policy that would maintain the international status quo in the region, it might find it more profitable to direct its attention toward countries like Argentina than toward Nicaragua.

A review of United States foreign policy in the 1970's leaves one with the impression that pragmatism has been progressively displaced by ideological rigidity. Regardless of how one may feel about the growing conservatism of American foreign policy, the gain in continuity and sense of direction can only be obtained at the expense of flexibility. In the case of countries like El Salvador, Guatemala and Nicaragua, the rigid superimposition of the East-West struggle for power distorts the picture. It is not too difficult for an informed observer to place himself to the left of Somoza (the general who happens to be

"on duty" at the Guatemala presidential palace) or the Salvadoran ruling elite. But it would be inaccurate to label such an observer a Soviet sympathizer in terms of the East-West struggle. The Reagan administration may very well decide that Latin American political reality forces it to reassess and perhaps even to reverse the inroads made by ideology in the conduct of United States foreign policy. ■

THE MONTH IN REVIEW

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income they may earn from outside sources.

Dec. 22—President Ronald Reagan signs the \$11-billion farm support bill.

Dec. 29—President Ronald Reagan signs 35 pieces of legislation; among them are the \$199.7-billion defense appropriations bill, the \$122-a-month minimum Social Security payment bill, and an \$11.5-billion foreign aid bill. He vetoes a bill changing the bankruptcy laws, the 2d veto of his presidency.

Military

Dec. 31—In a change of policy, a Defense Department spokesman reports that 40 MX missiles will be deployed in existing silos on a Minuteman missile site in the northwestern U.S.; this plan supersedes one announced in October.

Political Scandal

Dec. 22—U.S. district court Judge George C. Pratt denies motions by Senator Harrison Williams Jr. (D., N.J.) to overturn his conviction in U.S. district court on bribery and conspiracy charges last spring. Williams had contended that he was illegally entrapped by government agents in the F.B.I.'s Abscam investigation.

Supreme Court

Dec. 1—In a unanimous decision, the Court overturns a lower court ruling and upholds a government contention that the Interior Department was not required to use a bidding system for its offshore oil leases that would enable smaller companies to enter the bidding.

Dec. 2—The Court unanimously overturns a lower court ruling; it holds that white collar employees who deal with material their employers consider confidential are not necessarily excluded from the protection of the National Labor Relations Act.

VATICAN

(See also *Poland*)

Dec. 15—Pope John Paul issues an "apostolic exhortation" condemning abortion, divorce and the use of artificial birth control devices.

VIETNAM

Dec. 22—In Hanoi, 4 representatives of the U.S. Vietnam Veterans of America meet with Foreign Minister Nguyen Co Thach. The government agrees to admit U.S. doctors and scientists to evaluate the effects of the herbicide Agent Orange used during the war and also agrees to work with the veterans on Americans reported as missing in action (MIA's) in Vietnam.

YEMEN

Dec. 3—President Ali Abdullah Saleh signs an economic

and political cooperation agreement with Southern Yemen President Ali Nasser Mohammed.

ZIMBABWE

Dec. 18—In Salisbury, a bomb explodes in the party headquarters of Prime Minister Robert Mugabe; 6 people are killed and more than 125 people are injured in the explosion.

NOT BY OIL ALONE: THE OUTLOOK FOR MEXICO

(Continued from page 81)

1940's—the economy does not yet have the flexibility or capacity to handle large increases in demand.

An effort is being made, primarily by offering fiscal incentives, to decentralize industry and to create sources of employment in small and medium-sized cities. However, this is a limited concept because many small cities cannot rapidly assimilate large industrial centers; they lack housing, and there are practical problems transferring technical personnel. Adjustments that are made rapidly through market forces (according to textbooks) do not occur quickly under more rigid structural conditions, like those of the Mexican economy, and they contribute to the inflationary process as well.

Mexico is adopting a limited program for enlarging capital goods production in order to reduce dependency on imported equipment and to create more employment. The oil industry now requires considerable amounts of equipment, equipment that could be produced in Mexico. Experts argue that capital goods industries generate employment and that the industries do not need to be large industrial complexes, but may be small enterprises.

Recently, the government was forced to slow down its rate of expenditure and expansion, and there are signs also of a slowdown in private investment. To help meet an unexpectedly large current balance of payments deficit (close to \$10 billion in 1981), foreign borrowing has increased to over \$48 billion.

Currency overvaluation discourages non-oil exports and tourist expenditures and stimulates imports and foreign travel by Mexicans. 1982 will undoubtedly require adjustments and a serious program to reduce the rate of inflation. GNP may grow by only 6 percent to 7 percent and the next administration (1983-1988) will undoubtedly draw up plans for a 7 percent to 8 percent growth rate.

However, it will not be a pleasant prospect to reach the year 2000 with a population increase from 72 million to 100 million. It is perhaps an exaggeration, or perhaps mere rhetoric, but many Mexican social scientists believe that the next 20 years represent Mexico's last chance to create a more just, equal, flexible and pluralistic society within a democratic system. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of December, 1981, to provide a day-by-day summary of world affairs.

INTERNATIONAL

European Economic Community (EEC)

(See *Poland*)

Middle East

(See also *Intl, U.N.*)

Dec. 3—In a joint statement, Israel and the U.S. outline the terms for participation by Britain, France, Italy and the Netherlands in the Sinai peacekeeping force, which will monitor the terms of the treaty under which Israel will complete its withdrawal from the Sinai; Israel still insists that the 4 European nations approve the statement that the Camp David accords are the sole basis for the establishment of peace in the Middle East.

Dec. 14—Israel announces the extension of Israeli administration and civil law to the Golan Heights, all but annexing the occupied area. The area has been held under Israeli military occupation since it was captured from Syria in 1967.

A spokesman for the U.S. administration of President Ronald Reagan, Larry Speakes, says the U.S. had no warning of the Israeli move; he says the U.S. considers the move to be a violation of the Camp David accords.

Syrian Foreign Minister Abdel Halim Khaddam claims the Israeli move is equivalent to a "declaration of war" and calls on the U.N. Security Council to hold an urgent session on Israel's action.

Dec. 18—In response to the Israeli move in the Golan Heights, President Reagan suspends the talks on implementing the military cooperation agreement signed with Israel on November 30.

Dec. 19—Despite the recent Israeli action in the Golan Heights, Egyptian President Hosni Mubarak says that Egypt remains committed to the Camp David accords.

Dec. 28—Israeli Prime Minister Menachem Begin assures Egyptian President Mubarak that Israel intends to complete its withdrawal from the Sinai as scheduled in April, 1982, despite protests by Israeli settlers in the Sinai.

North Atlantic Treaty Organization (NATO)

(See also *U.S.S.R.*)

Dec. 8—Meeting in Brussels, NATO ministers are told by Greek Prime Minister Andreas Papandreu that Greece is suspending its return to the organization's military command because NATO is "militarily and politically unacceptable" to his government.

Dec. 10—The 15 NATO members formally invite Spain to become a member of the alliance; Spain's Foreign Minister José Pedro Pérez Llorca signs the protocol of accession; the 15 member governments must now approve.

Dec. 11—Concluding their annual December meeting in Brussels, the NATO foreign ministers agree to go ahead with plans for the deployment of intermediate-range nuclear missiles in Europe unless the Soviet Union moves toward effective arms control; they express support for arms control negotiations.

Organization of American States (OAS)

Dec. 4—U.S. Secretary of State Alexander M. Haig Jr.

outlines new U.S. economic aid proposals to the OAS General Assembly, meeting in Castries, St. Lucia; he proposes one-way free trade agreements with small countries and increased emergency aid; he also asks the OAS to try to halt regional arms races.

Organization of Petroleum Exporting Countries (OPEC)

Dec. 11—OPEC members conclude a 2-day meeting in Abu Dhabi and agree to lower some oil prices slightly.

United Nations

(See also *Intl, Middle East*)

Dec. 11—Voting 10 for, 1 against, and 4 abstaining, the Security Council elects Peruvian diplomat Javier Pérez du Cuellar to succeed Kurt Waldheim as the 5th U.N. Secretary General; his 5-year term begins January 1, 1982. Because neither Waldheim nor Tanzanian diplomat Salim A. Salim could overcome vetoes to win the election, there had been a deadlock since October 27. Waldheim and Salim eventually withdrew their names.

Dec. 15—By acclamation, the General Assembly approves the election of Javier Pérez du Cuellar as Secretary General; he is sworn in.

Dec. 17—The Security Council votes unanimously to term Israel's takeover of the Golan Heights illegal; it threatens "appropriate measures" if Israel does not reverse the action; the draft resolution calls for another meeting on January 5 if Israel does not respond favorably.

AFGHANISTAN

Dec. 26—On the 2d anniversary of the Soviet invasion of Afghanistan, the U.S. State Department makes public its analysis of conditions in Afghanistan; the reports say that the Afghan resistance to the Soviet-backed government is increasing and that there is evidence the Soviets are using chemical warfare against the guerrillas.

ALBANIA

Dec. 18—The Yugoslav news agency reports that Albanian Prime Minister Mehmet Shehu has committed suicide; Shehu had held his post since 1954 and was considered to be the successor to Communist party leader Enver Hoxha.

ALGERIA

Dec. 23—Former Foreign Minister Abdelaziz Bouteflika and former chief economic planner Belaid Abdesalam are suspended from the Central Committee of the ruling National Liberation Front.

ANGOLA

(See also *South Africa*)

Dec. 10—In Washington, D.C., U.S. State Department officials conclude talks with Jonas Savimbi, the leader of an anti-government organization, the National Union for the Total Independence of Angola (UNITA). The U.S. refuses to recognize the government of President José Eduardo dos Santos because of the continued presence of Cuban soldiers in Angola.

President José Eduardo dos Santos offers to begin talks with U.S. officials on diplomatic relations.

Dec. 13—Minister of State Security Kundi Paiama is removed from his post following the November 30 attack on the country's only oil refinery. The attack was presumably made by UNITA guerrillas and supported by white South African mercenaries.

ARGENTINA

Dec. 11—The ruling military junta removes President Roberto Eduardo Viola as President and replaces him with General Leopoldo Galtieri. Galtieri will remain as army commander.

Dec. 22—General Galtieri is sworn in as President.

BAHRAIN

Dec. 16—Security officials report they have arrested 52 Arabs, including Saudis, Kuwaitis, Iraqis and citizens of the United Arab Emirates, for attempting a coup d'état. Bahrain officials say the saboteurs admit that they were trained in Iran.

BELGIUM

Dec. 1—King Baudouin asks Christian Democrat Charles-Ferdinand Nothomb to form a coalition government.

Dec. 7—Foreign Minister Nothomb reports that he is unable to form a coalition government.

Dec. 14—Former Prime Minister Flemish Social Christian Wilfried Martens announces that he has formed a 4-party coalition Cabinet.

Dec. 17—King Baudouin swears in the new coalition government.

CAMBODIA

Dec. 3—In Washington, D.C., former Prime Minister Son Sann meets with State Department officials; Sann is seeking military and financial backing for his anti-Communist campaign in Cambodia. U.S. officials reaffirm that the U.S. will not provide military aid to any of the insurgent groups.

Dec. 5—President Heng Samrin is appointed secretary general of the People's Revolutionary party.

CANADA

Dec. 2—The House of Commons votes 246 to 24 to ask the British Parliament to transform the British North America Act of 1867 into a Canadian constitution with an additional bill of rights and an amending procedure.

Dec. 8—The Senate approves the constitutional patriation resolution 59 to 23.

CHINA

Dec. 1—Prime Minister Zhao Ziyang addresses the National People's Congress; he calls for reforms in the government's bureaucracy and announces target increases of 4 percent for industrial and agricultural output for 1982.

Dec. 7—Deputy chairman of the National People's Congress Yang Shangkun presents the government's proposed taxation rates for foreign companies in China.

Dec. 14—Indian and Chinese negotiators end 4 days of talks on the disputed Himalayan border area without reaching agreement; they agree to further talks.

Dec. 16—Chinese and Japanese officials sign a \$1.38-billion agreement in which Japan will provide China with financial aid for key industrial projects.

Dec. 31—*The People's Daily*, the Communist party newspaper, carries an article warning the U.S. against selling

military spare parts to Taiwan; the U.S. State Department recently confirmed its intention to sell more arms to Taiwan.

DENMARK

Dec. 8—In nationwide parliamentary elections, the Social Democratic party wins only 59 of 179 seats in Parliament; Social Democrat Prime Minister Anker Jorgensen announces his resignation.

Dec. 22—Queen Margrethe asks Anker Jorgensen to try to form a new coalition government.

EGYPT

(See also *Intl, Middle East*)

Dec. 12—Former Deputy Prime Minister Mohammed Abdel Salam Zayyat and 16 others who were accused of conspiring with the Soviet Union to overthrow the government of President Anwar Sadat are released from prison.

Dec. 20—Interior Minister Mohammed Nabawi Ismail says that 2,500 people remain in detention following the assassination of President Sadat.

EL SALVADOR

Dec. 15—In Washington, D.C., U.S. Under Secretary of Defense Fred C. Ikle says the administration of President Ronald Reagan plans to train 1,000 Salvadoran soldiers and between 500 and 600 Salvadoran junior officers in the United States.

Dec. 16—In Washington, D.C., Ruben Zamora and Francisco Altschul, members of the anti-government Farabundo Martí Liberation Front, meet with U.S. State Department officials.

GAMBIA

(See *Senegal*)

GERMANY, EAST

(See *Germany, West*)

GERMANY, WEST

Dec. 11—In Biesenthal, East Germany, Chancellor Helmut Schmidt begins 3 days of talks with East German Communist party leader Erich Honecker.

GHANA

Dec. 31—President Hilla Limann is ousted in a coup d'état by former military ruler Jerry J. Rawlings; Rawlings announces that he will head a people's defense organization to "clean up corruption." In 1979, Rawlings turned the government over to a popularly elected President and Parliament.

GREECE

(See also *Intl, NATO*)

Dec. 13—Prime Minister Andreas Papandréou presents his government's economic proposals to the nation; he says the economy is "in an advanced state of decomposition" and that he is increasing rates for gasoline, heating oil, water and telephone services.

Dec. 14—Palestine Liberation Organization (PLO) leader Yasser Arafat begins a 3-day official visit to Greece.

Dec. 16—The government grants diplomatic status to the PLO.

INDIA

(See also *China*)

Dec. 1—Deputy Defense Minister Shivraj Patil tells Par-

liament that the Defense Ministry is increasing its level of military preparedness because of recent U.S. sales of F-16 fighters to Pakistan.

IRAN

(See also *Iraq*)

- Dec. 5—Pars, the official press agency, says that Ayatollah Ruhollah Khomeini has ordered the release of 1,932 prisoners, many of them political prisoners.
- Dec. 11—In Shiraz, Ayatollah Abdolhossein Dastgheib, a personal representative of Ayatollah Khomeini's, is assassinated.
- Dec. 13—Prime Minister Mir Hussein Moussavi completes the formation of his Cabinet; he nominates Ali Akbar Vellayati as Foreign Minister and Ali Akbar Nateq Noori as Minister of the Interior.
- Dec. 23—Teheran radio reports that 2 supporters of Ayatollah Khomeini's have been assassinated in the city of Meshed.
- Dec. 28—In Teheran, member of Parliament Mohammed Taki Behsharat is assassinated.
- Dec. 30—In Washington, D.C., U.S. State Department spokesman Alan Romberg says that all 8 members of the Bahai National Spiritual Assembly have been executed by the government in its effort to eradicate the Bahai.

IRAQ

- Dec. 15—President Saddam Hussein offers to negotiate a settlement of the 15-month-old Iran-Iraq war if Iran recognizes Iraqi sovereignty in the Shatt al Arab waterway.
- Dec. 17—The Iraqi press agency reports a new Iraqi assault in Iran, north of the oil-producing province of Khuzistan.
- Dec. 27—In Baghdad, Interior Minister Saadun Chaker and Saudi Interior Minister Prince Nayef sign an agreement to end their 60-year-old border dispute.
- Dec. 30—The Iraqi press agency claims that Iraqi planes intercepted 2 Israeli fighter planes over Iraqi territory and forced them to withdraw.

ISRAEL

(See also *Intl. Middle East, U.N.; Iraq*)

- Dec. 2—In Parliament, the government survives 4 votes of no-confidence over the strategic agreement reached November 30 with the United States.
- Dec. 14—Parliament votes 63 to 21 to extend Israeli civil law to the Golan Heights.
- Dec. 18—In response to the Israeli move in the Golan Heights, President Reagan suspends the talks on implementing the military cooperation agreement signed with Israel on November 30.
- Dec. 20—In a statement approved by the Cabinet, Prime Minister Begin says the U.S. is treating Israel like a "vassal state." He accuses the U.S. of canceling the strategic cooperation agreement signed last month and says that, in the light of the U.S. behavior in Vietnam, the U.S. has no moral right to punish or preach to Israel.
- Dec. 26—Chairman of Parliament's Foreign Affairs and Security Committee Moshe Arens says that U.S. approval of Saudi views has caused the deterioration in U.S.-Israeli relations.

ITALY

- Dec. 17—In Verona, U.S. army staff officer Brigadier General James L. Dozier is kidnapped by men claiming to be members of the terrorist Red Brigades.
- Dec. 27—The Italian news agency receives a photograph of

Brigadier General Dozier; the accompanying letter says that Dozier has been put on trial for his crimes committed during the war in Vietnam and for his role in repressing "national liberation struggles."

JAPAN

(See also *China*)

- Dec. 28—The government makes public its 1982 budget; it includes \$11.7 billion for military spending, an increase of 7.75 percent over 1981.

LEBANON

- Dec. 7—A former member of the 15-member executive committee of the Palestine Liberation Organization (PLO), Abdel Wahab Kayyali, is assassinated in West Beirut.
- Dec. 11—In Washington, D.C., U.S. special envoy to the Middle East Philip C. Habib tells U.S. President Ronald Reagan that all parties in Lebanon desire a continuation of the cease-fire.
- Dec. 15—A bomb explodes in the Iraqi embassy in Beirut; 30 people are killed and about 100 are reported injured.
- Dec. 19—In the Muslim sector of Beirut, 11 people are killed and 30 are injured when a bomb explodes in a car.

LIBYA

(See also *Saudi Arabia; U.S., Foreign Policy*)

- Dec. 6—Colonel Muammar Qaddafi denies U.S. accusations that he has sent terrorists trained in Libya to assassinate high-ranking U.S. officials, including President Ronald Reagan.
- Dec. 26—The West German company Otrag, Orbital Transport und Raketen-Altiengesellschaft, ends its work in Libya. Otrag has been helping Libya develop a rocket launch base at Jarmah, more than 400 miles south of Tripoli.

MALTA

- Dec. 12—Nationwide parliamentary elections are held.
- Dec. 14—Almost complete election returns give incumbent Prime Minister Dom Mintoff and his Labor party 34 seats in the 65-member Parliament. The National party led by Edward Fenech Adami wins 31 seats.
- Dec. 19—Prime Minister Mintoff is sworn in.

MEXICO

- Dec. 21—The government increases the price of gasoline by 115 percent.

MOZAMBIQUE

- Dec. 29—President Samora Machel reshuffles his Cabinet; he shifts control over the central province of Sofala (where there is anti-guerrilla activity) to the Defense Ministry.

NICARAGUA

(See *U.S., Foreign Policy*)

PAKISTAN

- Dec. 24—President Mohammad Zia ul-Haq announces the formation of a 350-member consultative council to act as an interim Parliament; parliamentary elections will not be held because, he says, they "will be more harmful than beneficial."

POLAND

(See also *U.S., Foreign Policy*)

- Dec. 1—More than 300 cadets at the firefighters' academy

in Warsaw continue their sit-in, started November 30, demanding greater participation in the school's decision-making process.

Dec. 2—Police and army units remove the striking cadets from the academy buildings without bloodshed.

Dec. 6—Peasants' Solidarity leader Jan Kulaj proposes that the private farmers' organization join with the industrial Solidarity movement to unite farmers, students and industrial workers in one movement.

In Warsaw, the regional Solidarity organization votes to call a strike on December 17 to protest the police assault on the striking firefighters.

Dec. 7—Warsaw radio plays a tape of a Solidarity meeting held last week in Radom in which Solidarity leader Lech Walesa predicted that a "confrontation" with the government is unavoidable. The union threatens to call a 24-hour nationwide strike if the government declares a state of emergency and bans strikes by workers.

Dec. 12—In Gdansk, Solidarity leaders propose holding a national referendum, to include non-Solidarity members, on the question of establishing a non-Communist government and reviewing Poland's military relations with the U.S.S.R.

Government spokesman Jerzy Urban calls on Solidarity to cancel its march in Warsaw on December 17.

Dec. 13—In an early morning radio broadcast, Prime Minister and Communist party leader General Wojciech Jaruzelski announces that the military has assumed control of the government under the direction of the 21-member Military Council for National Salvation. Jaruzelski says that leading members of Solidarity have been arrested as well as former party leader Edward Gierek and his Prime Minister, Piotr Jaroszewicz, among others.

Polish armored personnel carriers patrol the streets of Warsaw, and telecommunications are cut. All strikes, meetings and demonstrations are forbidden. A curfew is imposed.

Dec. 14—In its 1st official comment since martial law was declared, Tass, the Soviet press agency, says that the events in Poland are an "internal matter."

Dec. 15—In Washington, D.C., White House spokesman Larry Speakes warns that "the use of violence against the Polish people [will] have extremely grave consequences."

At the conclusion of a 2-day meeting in London, the foreign ministers of the European Economic Community express sympathy for the Polish people and warn the Soviet Union against intervening in Poland.

Government-imposed news blackouts continue on both internal and external communications.

Dec. 16—For the first time Tass reports that there is scattered resistance to martial law.

In Washington, D.C., in retaliation for restrictions on U.S. diplomatic personnel in Poland, the U.S. government imposes travel restrictions on Polish diplomats in the U.S.

Reports coming from Poland suggest that resistance to martial law continues; strikes in several mines are broken up by police and army units while strikes continue in at least 5 mines.

In a nationwide radio broadcast, the Military Council of National Salvation says the agreement made last year between the government and Solidarity will remain in effect.

Poland's central bank, Bank Handlowy, says that the government cannot meet its \$500-million past-due interest payment by the end of the year and requests an extension from its Western creditors.

Dec. 17—In a news conference, U.S. President Ronald Reagan says the Soviet Union is supporting the Polish government's suppression of the Solidarity movement.

Warsaw Radio reports that 7 Poles were killed and hundreds wounded in clashes with police at a Silesian coal mine, near Katowice. Fighting is reported in Gdansk between army units and Solidarity members.

Dec. 18—U.S. State Department spokesman Dean Fischer says Polish officials have indicated that "no more than 4,000 people" have been detained since the declaration of martial law; earlier reports put the number of detained at 40,000.

Dec. 20—Tass reports that union activists in Katowice have blown up the exit from a mine, trapping up to 1,300 miners inside, to protest the imposition of martial law.

In Washington, D.C., Polish Ambassador to the U.S. Romuald Spasowski asks for and is granted political asylum.

Dec. 22—Government spokesman Urban says Solidarity leader Lech Walesa is being detained in Warsaw.

Dec. 23—Warsaw radio reports that striking steel workers in Silesia have ended their strike. More than 1,000 coal miners continue their protest against martial law.

In London, the members of the European Economic Community reiterate their condemnation of the "grave violation of the human and civil rights of the Polish people."

Dec. 24—*The New York Times* reports that unofficial estimates of people being detained are considerably more than the 5,000 acknowledged by the military authorities.

Prime Minister General Wojciech Jaruzelski addresses the nation; he says that the process of "renewal," begun last year, will continue; he denies Western reports that thousands of people have been arrested and tortured.

Dec. 25—In Moscow, *Pravda*, the Soviet government newspaper, accuses the U.S. of fomenting the troubles in Poland in order to "restore capitalism in Poland and to wrest Poland from the socialist community and the Warsaw treaty organization."

Dec. 27—Vatican envoy Archbishop Luigi Poggi returns to the Vatican from a week-long visit to Poland. He reports to Pope John Paul that he met with Prime Minister Jaruzelski and with Roman Catholic Primate of Poland Archbishop Jozef Glemp.

The government lifts the blackout on foreign reports; censored news dispatches reach the U.S.

Dec. 29—The military government announces drastic price increases for raw materials, fuel and transportation.

Warsaw radio reports that 12 union organizers have been arrested at the Piast coal mine in Silesia. On December 28, the government announced that the strike at Piast, the last major protest against martial law, had ended.

Dec. 30—Pope John Paul II expresses his "trepidation" and "anxiety" over the "fate of those who have been arrested and those who have been condemned to forced 'internment' " in Poland.

Dec. 31—A letter signed by Warsaw Solidarity leader Zbigniew Bujak urges Poles "to listen to their conscience" and not to permit themselves to be used "as tools in the hands of the criminal authorities waging a war against the nation." Bujak reportedly escaped from the authorities when other Solidarity leaders were rounded up in Gdansk.

SAUDI ARABIA

(See also *Iraq; Syria*)

Dec. 31—The governments of Saudi Arabia and Libya

resume diplomatic relations, which were broken off 14 months ago.

SENEGAL

Dec. 17—Officials from Gambia and Senegal sign a treaty calling for the unification of the 2 countries. Each country's Parliament must approve the treaty.

SEYCHELLES

(See also *South Africa*)

Dec. 3—The government asks the U.N. to conduct an inquiry into the recent coup attempt; President France Albert René charges that the South African government was behind the coup attempt.

SOUTH AFRICA

Dec. 2—Without pressing charges, the government releases 39 of the 44 white mercenaries who staged a coup attempt in the Seychelles last week and hijacked an Air India plane.

Dec. 4—The South African government declares Ciskei, a black homeland, to be an independent nation. Under the terms of the independence act passed earlier this year by the South African Parliament, residents of Ciskei cease to be South African citizens.

Dec. 6—The South African military reports that in November its forces destroyed a South-West African People's Organization (SWAPO) headquarters 150 miles inside Angola.

SOUTHERN YEMEN

(See *Yemen*)

SPAIN

(See also *Intl, NATO*)

Dec. 2—Prime Minister Leopoldo Calvo Sotelo's new Cabinet is sworn in.

Dec. 6—The Europa Press news agency makes public a letter signed by 100 officers in the Spanish army who are protesting the Spanish press's attitude toward the armed forces, defending the officers implicated in the attempted coup d'etat in February, 1981.

SYRIA

(See also *Intl, Middle East*)

Dec. 1—In Damascus, U.S. special envoy Philip C. Habib arrives for talks with Foreign Minister Abdel Halim Khaddam; Khaddam criticizes the U.S. for its recent strategic cooperation agreement with Israel.

Dec. 28—President Hafez Assad returns from a week-long tour of the Persian Gulf area, including state visits to Saudi Arabia, Yemen and South Yemen, to win support for his anti-Israel stand.

TAIWAN

(See *China*)

TURKEY

Dec. 5—In Ankara, U.S. Secretary of Defense Caspar Weinberger concludes talks with Prime Minister Bulent Ulusu; they agree to set up a Joint Defense Group to improve military cooperation between the two countries.

Dec. 7—The Ministry of Education issues a ban on women students and teachers wearing head scarves, except during Koranic studies.

Dec. 29—It is reported that more than 236 left-wing activists have been detained this week.

Dec. 30—General Kenan Evren announces a timetable for

parliamentary elections; he says they will be held in late 1983 or in early 1984.

U.S.S.R.

(See also *Afghanistan, Poland, U.S., Foreign Policy*)

Dec. 1—Physicist Andrei D. Sakharov and his wife Yelena Bonner are in the 10th day of their self-imposed hunger strike; they hope to force the government to allow Sakharov's son's wife, Yelizaveta Alekseyeva, to emigrate to the U.S.

Dec. 12—*Izvestia*, the government newspaper, reports that Alekseyeva will be permitted to emigrate to the U.S. Sakharov and his wife end their hunger strike.

Tass, the government press agency, condemns the decision of the North Atlantic Treaty Organization (NATO) to accept Spain as a conditional member.

Dec. 19—Alekseyeva leaves the Soviet Union for the U.S.

Dec. 30—Tass accuses the U.S. of trying to "undermine the foundation of Soviet-American relations" by its decision to restrict Soviet-American trade because of the situation in Poland.

UNITED KINGDOM

Great Britain

Dec. 2—Chancellor of the Exchequer Sir Geoffrey Howe presents his government's budget to Parliament; the budget calls for a spending increase in 1982-1983 of not more than the increase in the rate of inflation.

UNITED STATES

Administration

Dec. 1—President Ronald Reagan addresses the White House Conference on Aging in Washington, D.C.; he says that "Social Security can and will be saved . . . to restore the integrity of Social Security . . . without penalty to those dependent on that program."

Attorney General William French Smith announces that the Justice Department finds no evidence of wrongdoing in national security adviser Richard Allen's receipt of \$1,000 from a Japanese magazine; he says he will not appoint a special prosecutor to investigate further.

Addressing the 4-day conference of the Atomic Industrial Forum in San Francisco, Nuclear Regulatory Commission chairman Nunzio Palladino says that "lack of professionalism in construction . . . and operation of nuclear facilities" is the fault of management and that quality controls are not adequate in some plants.

Dec. 4—President Ronald Reagan issues a 17-page executive order; one of its provisions authorizes the Central Intelligence Agency to conduct covert domestic operations in order to help the nation "confront the increasing challenge of espionage and terrorism."

Dec. 7—The Council of Economic Advisers and the Office of Management and Budget issue figures projecting a federal budget deficit for fiscal 1982 of about \$109 billion, more than twice the \$43.1 billion deficit forecast in September. Presidential advisers estimate the fiscal 1983 budget deficit at \$152 billion and the fiscal 1984 deficit at \$162 billion.

Dec. 9—President Reagan rescinds his 3-year ban on the hiring of the dismissed air traffic controllers by the federal government; nonetheless, they may not be hired as controllers or for any other positions in the Federal Aviation Administration.

Dec. 10—The Justice Department announces that it will defer legal action against young men not registering with the Selective Service System until the Reagan administration's position on the program becomes clear.

Dec. 16—President Reagan approves plans to abolish the Department of Energy; the Commerce Department will take over some 80 percent of its functions; other functions will be taken over by the Justice Department, the Interior Department and the Agriculture Department.

Dec. 23—The Justice Department reports that Richard V. Allen did not act illegally in accepting gifts from Japanese associates or in omitting information on his financial disclosure statements and that a special prosecutor will not be appointed.

Dec. 27—President Reagan leaves for a week's vacation in California.

Dec. 29—N.Y. lawyer Leon Silverman is named as special prosecutor to investigate allegations of impropriety against Labor Secretary Raymond J. Donovan, who asked for the investigation.

Civil Rights

Dec. 7—Executive vice president of the Urban League John E. Jacob succeeds Vernon Jordan Jr. as president of the National Urban League.

Dec. 23—In Boise, Idaho, U.S. district court Judge Marion J. Callister rules that Congress violated the constitution when it extended the ratification deadline for the Equal Rights Amendment from March 29, 1979, to June 30, 1982, and that the deadline has expired. The ruling is being appealed.

Economy

Dec. 1—Most major banks lower their prime rate to 15.75 percent.

Dec. 3—The Federal Reserve Board lowers its discount rate to 12 percent.

Dec. 4—The Department of Labor reports that the nation's unemployment rate rose to 8.4 percent in November.

Dec. 9—The Department of Labor reports that its producer price index rose 0.5 percent in November.

Dec. 18—The Commerce Department reports that the gross national product (GNP) declined at an annual rate of 5.4 percent in the 4th quarter of 1981 (this is a preliminary estimate).

Dec. 22—The Labor Department reports that its consumer price index rose 0.5 percent in November.

Dec. 29—The Commerce Department reports that its index of leading economic indicators declined 0.3 percent in November.

The Commerce Department reports that the nation's foreign trade deficit was \$4.41 billion in November.

Foreign Policy

(See also *Iran, Middle East, OAS; Afghanistan; Angola; Cambodia; El Salvador; Israel; Italy; Lebanon; Poland; Syria; Turkey; Vietnam*)

Dec. 2—Secretary of State Alexander M. Haig Jr. meets in St. Lucia with Nicaraguan Foreign Minister Miguel d'Escoto Brockmann to discuss difficulties between the U.S. and Nicaragua.

Dec. 3—Senior law enforcement officials report that it is believed that 5 Libyan-trained terrorists have entered the U.S. in a plot to assassinate President Ronald Reagan and/or other U.S. officials.

Dec. 10—Deputy Secretary of State William P. Clark announces that President Reagan has asked Americans in Libya to leave and has invalidated U.S. passports for travel in Libya in order to "secure the lives and property of United States citizens in Libya."

Dec. 11—In Brussels, Secretary of State Haig says that the U.S. acted against Libya because of moral outrage over

Libya's actions as an instigator and supplier of international terrorism.

Dec. 13—In Brussels, Secretary Haig tells reporters that "we are seriously concerned about the decision to impose martial law" by the Polish government.

Dec. 14—In Washington, D.C., Secretary Haig says that "we are going to hold in abeyance decisions to further aid the government of Poland until the situation [of martial law in Poland] is clarified."

Dec. 21—State Department spokesman Dean Fischer says that Northern Ireland militant political leader Ian Paisley's visa to the U.S. has been invalidated because of the "divisive" nature of his actions which would make his presence "prejudicial to U.S. public interests."

Dec. 22—President Ronald Reagan meets in Washington, D.C., with defected Polish Ambassador to the U.S. Romuald Spasowski.

Dec. 23—In a Christmas address, President Reagan announces suspension of some economic links with Poland and restrictions on Polish fishing and aviation privileges in U.S. jurisdiction.

Dec. 24—Polish Ambassador to Japan Zdislaw Rurarz and his family fly to the U.S. and seek political asylum.

Dec. 29—In response to what he calls the "heavy and direct responsibility [of the Soviet Union] for the repression in Poland," President Reagan announces a "series of actions" aimed at the Soviet Union; he suspends renewals of export licenses for high technology items, postpones negotiations for a new long-term grain sale agreement, suspends landing rights in the U.S. for the Soviet airline Aeroflot and imposes several other trade restrictions.

Legislation

Dec. 1—The Senate Committee on Intelligence will issue a report tomorrow; it has concluded that Central Intelligence Agency (CIA) director William J. Casey is not unfit to serve in that capacity.

Dec. 4—President Ronald Reagan signs the \$12.5-billion Energy and Water Development appropriations bill.

Dec. 11—In a 60-35 vote, the Senate approves the \$413-billion continuing resolution to finance the government through March 31, 1982. The House approved it December 10.

Dec. 14—In voice votes, both House and Senate pass and send to the President a compromise \$10.1-billion transportation appropriations bill.

Dec. 15—President Ronald Reagan signs the \$413-billion continuing resolution.

The Senate votes 93 to 4 and the House votes 334 to 84 to approve a compromise \$199.7-billion military appropriations bill for fiscal 1982.

President Ronald Reagan signs a bill providing special financing legislation for a \$43-billion Alaska natural gas pipeline; the House gave final congressional approval to the measure on December 10; the controversial measure provides that customers will start paying for the cost of construction loans even before the pipeline is completed.

Dec. 16—The House passes the \$11-billion farm bill for commodity aid; the Senate passed the bill December 10.

The House passes the \$122-a-month minimum Social Security payment bill passed by the Senate on December 15.

The Senate and House pass the \$11.5-billion foreign aid appropriation bill and send it to the President.

House and Senate approve measures permitting members to deduct their Washington living expenses from their income tax returns and to double the amount of

(Continued on page 90)



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